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Students at Beijing University looking Monday at tributes to Chai Qingfeng, who was slain last week.

Beijing Students Assail Party As Protest Gains Momentum

BEIJING — Beijing University students put up scores of posters on Monday attacking the government and the Communist Party as they commemorated a murdered student. The posters, which were placed in the university's main square, were a protest against the government's handling of the death of Chai Qingfeng, a 23-year-old student who was killed last week.

throughout the day next to a makeshift shrine of wreaths and a memorial portrait of Chai Qingfeng, whose slaying last week close to the campus sparked a protest march calling for tough punishment for his killers. Many were purely personal tributes to the dead geophysics graduate student, but others linked his killing to a breakdown of social order caused by corruption, poverty and government incompetence. "There are people who murder with hard knives, and those who kill with soft knives," said one poster, explaining that the "soft knives" were social inequality and government ill-treatment of intellectuals.

Hand-written posters criticized Chinese leaders by name, alleged that official corruption had changed the country into its darkest period since Communist rule began and called on students to "sacrifice themselves for democracy." About 100 posters appeared throughout the day next to a makeshift shrine of wreaths and a memorial portrait of Chai Qingfeng, whose slaying last week close to the campus sparked a protest march calling for tough punishment for his killers.

Another lengthy anonymous poster blamed China's economic backwardness on dictatorial rulers. "History proves that the rule of despots yields no good results," said another, adding, "I wish Chairman Mao Zedong had died in the early 1950s." Mao died in 1976, after presiding over the political conflict of the Cultural Revolution and disastrous economic policies. The poster, glued to the wall of the university canteen, attacked official secrecy at last month's National People's Congress, which elected Prime Minister Li Peng and other top leaders. "Why were the election results suddenly made secret? And if the elections were properly held, how did a man like Li Peng become prime minister?" it said, in a reference to widespread popular doubts over Mr. Li's competence.

Several posters urged students to be cautious in any further protests. "Some people want to demonstrate again," one said, "but in Poland and Yugoslavia reforms failed partly because of social unrest." Among the writings was an open letter from Li Shuxian, a local government deputy and the wife of China's best-known dissident, Fang Lizhi, and three other deputies of the People's Congress of Haidian district, the quarter in which the killing took place. "It said Mr. Chai's killing was 'not just an accident' but a symptom of 'unhealthy trends' in the Communist Party and the 'commencement' of society.

Mr. Chai, 22, was beaten to death by a gang armed with air guns, bottles and clubs after an argument in a restaurant near the campus early last Thursday. Increasingly, the regime is preoccupied with a shrinking economy, spreading unemployment and the uncharted succession in Ayatollah Khomeini's theocratic state. Iranian officials and experts on the Middle East say these leaders now appear to favor letting the Gulf War simmer down. In addition, Arab adversaries of Iran see an end of an era where Iran hoped to export its radical Islamic fundamentalism to Arab neighbors and the world of Islam at large.

Separately, the Senate gave final approval Monday to a "zero growth" \$1.1 billion fiscal 1989 federal budget providing additional money for the war on drugs, exploration of space and AIDS research and education. (Reuters, UPI)

In Tokyo, Frank C. Carlucci, the U.S. defense secretary, warned on helping the Soviet Union. Page 2.

General News Jean-Marie Le Pen is seeking to salvage a seat or two in the French Assembly. Page 2. Syria's president told George P. Shultz that he had no new information on the location of U.S. hostages. Page 6.

Sports "Good grass is the best surface," says Martina Navratilova, England's grass-court tennis season opener. Page 19. Business/Finance Britain pushed interest rates higher for the second time in five days. Page 13. Special Report Despite a once troublesome reputation, Greece is seeking a positive international role.

Italy: Trying to Get It Right Before '92

By Reginald Dale International Herald Tribune

ROME — One of the claims Italians like to make for their country is that it has a remarkable talent for "getting it right on the night." A more cynical way of putting it is the old adage that nothing ever happens in Italy until there is a real crisis. There is not a real crisis in Italy today. But a growing number of Italians believe that the country is again entering a difficult period in which its economic and political systems — some say even the national mentality — are likely to be severely tested, and that time is scarce.

The country's mood has swung sharply in the past year. A burst of euphoria erupted last spring, when Italy suddenly overtook Britain to become the West's fifth-strongest industrial power (the celebrated *il sorpasso*) by dint of revising its economic statistics. Autumn brought a sharp relapse into pessimism, largely coinciding with the international stock market collapse. The general view now is that both feelings were probably exaggerated, and a more measured confidence has returned. Industrial production is strongly expanding, business profits are up and inflation, at about 3 percent, appears to be under control.

After emerging from recession later than most other countries at the end of 1983, the Italian economy has been growing steadily at nearly 3 percent a year, consistently near the top of the European growth league. Over the past 10 years, the country has successfully weathered a succession of internal and external threats. In the late 1970s

Italy: The Hard Tests to Come

It shook itself free from an acute financial crisis exacerbated by bitter labor strife and domestic terrorism; it responded to the two oil shocks by vigorously restructuring its industry. Now Italy faces a new external challenge, the deadline at the end of 1992 for the creation of a single, frontierless market in the 12-nation European Community.



Source: International Monetary Fund * Projection

or restructuring, that Mikhail S. Gorbachev is trying to achieve in the Soviet Union. Recent weeks have seen growing concern over a rash of public sector strikes, a worsening trade deficit and, above all, a soaring government deficit. But the fundamental question preoccupying the country's industrial, political and economic establishment is whether Italy's antiquated public structures will be able to stand the pace of free competition with its European partners.

In a country with one of the largest state sectors outside the Communist bloc, what is needed, in the view of many experts, is an Italian version of the *perestroika*.

For Iran's Leaders, It's 'Decision Time'

By Yousef M. Ibrahim New York Times Service

PARIS — Almost a decade after taking power, the Iranian government of Ayatollah Ruhollah Khomeini is facing severe international isolation, and its leaders appear to be reassessing Iranian options in the war with Iraq. Increasingly, the regime is preoccupied with a shrinking economy, spreading unemployment and the uncharted succession in Ayatollah Khomeini's theocratic state. Iranian officials and experts on the Middle East say these leaders now appear to favor letting the Gulf War simmer down. In addition, Arab adversaries of Iran see an end of an era where Iran hoped to export its radical Islamic fundamentalism to Arab neighbors and the world of Islam at large.

"It is decision time in Tehran now," said one of several Iranian officials, businessmen and experts interviewed in European capitals over the past week, "not about ending the war, but on getting a rest out of it." This Iranian official said that one result that might be acceptable to Iran would be an international condemnation of Iraq for having started the war in 1980. From the interviews, a strong impression emerges that despite their militant words, the leaders of Iran have come to realize, after nearly eight years of war, that they cannot topple the Iraqi president, Saddam Hussein, or defeat Iraq militarily.

Several religious leaders are saying that the economy, rather than the war, needs the urgent attention of the government. As the country turns its attention inward, conflicts are sharpening between traditionalists, reformists and radicals among the clerics who lead the country. The conflicts concern the shape of the Islamic government, the profile of an Islamic economy and a blueprint for an enduring Islamic system. Ayatollah Khomeini is a "pragmatist and a political man" who realizes that a troubled economy

could jeopardize his regime and its theological gains, said Ezzat Mo'in, an Iranian journalist and expert on the theological establishment. "He also knows that to succeed you have to have the bulk of the clergy with you," Mr. Mo'in said. One indication of the regime's new concerns is the elevation last week of the speaker of the parliament, Hashemi Rafsanjani, who is considered the foremost pragmatist of the regime, to the position of head of the armed forces. Iranian officials and experts in

Table with columns: ACCESS VOICE, Kiosk, Reagen Veto Likely to Hold. Includes various phone numbers and service details.

Table with columns: WORLDWIDE, HOTELS. Lists various international services and hotel information.

Table with columns: AUSTRALIA, NEW ZEALAND. Lists contact information for these regions.

Philippine Senate Votes Curb On Nuclear Arms and Vessels

By Seth Mydans New York Times Service

MANILA — The Senate approved a bill Monday that would ban nuclear weapons and the basing of nuclear-powered ships in the Philippines, a measure that could complicate the operations of two major U.S. bases in the country. The bill, opposed by only three of the 23 members of the Senate, is expected to face stronger opposition in the more conservative House of Representatives. Based on an anti-nuclear provision of the new constitution, the bill would set prison terms of up to 30 years for bringing nuclear weapons into the country, and up to 12 years for importing components. It would also bar storage or transit of all nuclear weapons, as well as nuclear-equipped ships and aircraft. It would not forbid port calls by nuclear-powered ships. President Corason C. Aquino had cautioned senators that passage of the measure could hamper her policy of keeping options open

until expiration of the U.S. bases agreement in 1991. An anti-nuclear law could cause difficulties for the bases because of a strict policy by the United States of neither confirming nor denying the presence of nuclear weapons. Talks are under way in Manila to renegotiate terms for the U.S. facilities, Subic Bay Naval Station and Clark Air Base, and several smaller installations. In the current atmosphere, Philippine politicians have found it almost impossible to speak in favor of the bases or against an anti-nuclear measure. Most anti-bases arguments are based on the generalities of independence from U.S. influence and of peace of nuclear war. The Philippines should not be a promoter of the deadly arms race," said the Senate president, Jovito Solon. "We should never be part of the problem; we should be part of the solution."

The chief sponsor of the bill, Senator Wigberto Tanada, said it would contribute to "détente, denuclearization and disarmament in this part of the world." There is some debate over the constitutional provision banning nuclear weapons, "consistent with the national interest." Supporters of the bases argue that this phrase would allow the government to determine whether such a ban was in the national interest. One implication of the vote involves any eventual extension of the bases agreement after 1991, at which time the constitution mandates a two-thirds vote of approval in the Senate. In 1991, faced with the economic and foreign-policy implications of the removal of the bases, it might be more difficult than now for senators to cast symbolic votes. One option provided for in the constitution is to send any new bases agreement to a nationwide referendum. The prevailing opinion Monday was that most Filipinos would vote to keep the bases.

side for years, the authorities have recently permitted private services to coordinate the work of teams of doctors, nurses and specialists. The services, which put advertisements in newspapers, list telephone numbers for arranging home visits, X-rays and electrocardiogram readings and for reserving beds in state hospitals. Prices are high: A house call can cost the equivalent of \$35, or about 20 percent of the average monthly salary. Opposition activists, including the Solidarity health care lobby, have generally welcomed the new policies. Many doctors, however, feel the government must take far more radical steps if it is to restore care to an acceptable standard. "The state is not in a position to do it all, the situation is far too deteriorated for that," said Dr. Marek Edelmann, a Lodz cardiologist and survivor of the 1943 Warsaw ghetto uprising against the Germans. "Society must begin to play a part in the health service, through private initiative and social organizations. At present, almost everything is bad, so almost everything will have to change." Rates for serious illnesses have been rising sharply in the 1980s and life expectancy has been falling, especially for men. Poland, which spends only 5 percent of its national income on social services, ranks last among Soviet bloc countries in the ratio of hospital beds. More than three-quarters of the hospital beds are in facilities built before World War II or are in buildings



A Scramble on the Floor as Tokyo Stock Market Soars. Traders jostling for position on the floor of the Tokyo Stock Exchange Monday as the Nikkei average of 225 industrials reached 28,059.97, surpassing 28,000 for the first time. It ended the day with a record closing of 27,996.24. Prices moved higher on the New York Exchange in a final-hour rally. Page 8. The dollar closed lower in New York, particularly against the Deutsche mark. Page 17.

Poland, Its Health System in a Crisis, Abandons Free Care

By Jackson Diehl Washington Post Service

LODZ, Poland — Grimy yellow paint and stucco are crumbling from the walls of Bielskiego Hospital here. Some patients lie on cots in corridors while a short-handed staff struggles to cope with overcrowding. In the laboratory, a harried administrator spends the day telephoning in search of medicines. Doctors have to work amid equipment shortages ranging from the ordinary — rubber gloves and thermometers — to the advanced such as ultrasound machines. Like other medical professionals around the country, administrators are bracing for radical changes following the announcement by the Communist authorities in April that they will abandon Polish socialism's guarantee of free health care, forcing the ill to pay for drugs and hospital care. The shift came after a special Politburo meeting. Doctors in Lodz are skeptical that the new policy will correct what they see as the root of the troubles, but they say the level of health care leaves no alternative. "It's a terribly delicate thing to tell people after 40 years that the guarantee of free health care through socialism is no longer good," said Andrzej Keshiera, Lodz surgeon. Krakow steelworkers was for more money for medical services. Government leaders under General Wojciech Jaruzelski, intent on bolstering heavy industry, have refused the requests for more pay and subsidies in the health services. The fees for medical care have not yet been implemented. Already, however, the move has been accompanied by quiet tolerance of an expansion of private health-care services. While doctors have been allowed private practice on

the side for years, the authorities have recently permitted private services to coordinate the work of teams of doctors, nurses and specialists. The services, which put advertisements in newspapers, list telephone numbers for arranging home visits, X-rays and electrocardiogram readings and for reserving beds in state hospitals. Prices are high: A house call can cost the equivalent of \$35, or about 20 percent of the average monthly salary. Opposition activists, including the Solidarity health care lobby, have generally welcomed the new policies. Many doctors, however, feel the government must take far more radical steps if it is to restore care to an acceptable standard. "The state is not in a position to do it all, the situation is far too deteriorated for that," said Dr. Marek Edelmann, a Lodz cardiologist and survivor of the 1943 Warsaw ghetto uprising against the Germans. "Society must begin to play a part in the health service, through private initiative and social organizations. At present, almost everything is bad, so almost everything will have to change." Rates for serious illnesses have been rising sharply in the 1980s and life expectancy has been falling, especially for men. Poland, which spends only 5 percent of its national income on social services, ranks last among Soviet bloc countries in the ratio of hospital beds. More than three-quarters of the hospital beds are in facilities built before World War II or are in buildings

not intended to be hospitals. They are so crowded that people in large cities often must wait weeks or months to be admitted — and even then may find themselves on cots in corridors. The crowded conditions and a shortage of cleaning staff make many hospitals miserable, dirty places where infections, or the contraction of new illnesses while under treatment, are a real danger. "In the intensive care unit of a Warsaw hospital, I saw the floor covered with plumes of dust," said a recent account in the newspaper Kurier Polski. "The window sills and bedside tables were sticky with filth. And the Warsaw facility is hardly an exception." Drugs are an equally pressing problem. Poland's state pharmaceutical factories, starved of raw materials and obliged to export 50 percent of their output to the Soviet Union and bloc countries, supply only a fraction of the need. Imports are modest. Consequently, Polish clinics and hospitals for years have had to depend on Western donors for supplies of even basic drugs. The health service debate has recently focused on salaries. Even highly trained doctors make relatively low wages, while nurses and support staff rank near the bottom of the national pay scale. In the eastern city of Bialystok, for example, an experienced general practitioner working in a state clinic makes 28,800 zlotys (\$73) a month, compared with 32,000 zlotys for a sewer worker and 40,000 for a policeman.

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Blacks Strike in S. Africa Million Stay Out To Start a 3-Day General Protest

By William Claiborne Washington Post Service

JOHANNESBURG — More than a million black workers, defying threatened punitive action by industry and the government, stayed home Monday on the first day of a three-day nationwide general strike protesting restrictions on trade unions and anti-apartheid groups. Estimates of absentee rates for black workers ranged from 50 percent in Pretoria to as high as 90 percent in the Johannesburg area and Durban. Reported violence was limited to a firebomb attack on a commuter bus in Natal Province, injuring five people, and sabotage bombings of several rail lines and station platforms in Transvaal and Natal provinces. For the most part, the police and army security forces maintained a low profile in the country's black townships, making no attempt to enforce emergency regulations that prohibit workers from strikes on political grounds. The protest strike, the biggest in recent years, was widely viewed as a test of the black labor union movement's ability to mobilize mass opposition to the government following Pretoria's virtual banning of 17 leading anti-apartheid groups in February. Leaders of industry and trade unions said participants Tuesday would be critical in determining whether the workers could sustain the protest for three days. Most employers have adopted a "no work, no pay" policy during such strikes. Immediately after the three days of protest, the security police will be confronted with the most widely observed protest date on the South African political calendar, the anniversary of the June 16, 1976, uprising in Soweto over the mandatory teaching of Afrikaans in black schools. There were no official estimates of the number of people participating in the strike, but the Congress of South African Trade Unions, which called for the protest, said that at least three million workers stayed at home. Based on percentages of normal rail and bus commuter loads issued by officials, and judging from comparisons with previous general strikes, participation in the protest would have exceeded a million. South Africa's automobile in-

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ANC Warns It Will Hit New Targets

By John D. Battersby New York Times Service

LUSAKA, Zambia — Reacting to the crackdown on anti-apartheid protest inside the country, South African opposition forces plan to step up a low-intensity guerrilla war in a bid to shatter white security and raise the morale of despondent blacks. "In a situation of armed conflict that is growing and spreading and becoming more intense, there is no way you can avoid civilian casualties," said Oliver Tambo, African National Congress president, in an interview at rebel headquarters. Guerrilla commanders said they wanted to broaden targets to include institutions and individuals, including some white legislators who are involved in enforcing apartheid laws, and said they intended to take the conflict into white areas. "We must make apartheid expensive in terms of financial resources and in terms of lives," said Martin Thembisile Hani, 45, chief of staff and deputy commander of Umkhonto We Sizwe, the ANC military wing. "We want to make apartheid costly and very painful and bitter for whites." He said that judges, white policemen and black collaborators were all possible targets. Mr. Hani said SM-7 anti-aircraft missiles, found by police for the first time last month, would be targeted at military, but not at civilian, planes. "We are not about to shoot down a Boeing 707," he said. "These missiles are intended for use against military planes, against fighter planes, helicopters and military transport planes. Mr. Tambo said that the ANC's military activity was likely to benefit from the February crackdown by Pretoria, which restricted the United Democratic Front and 16 other anti-apartheid groups, and placed the major trade union federation, the Congress of South Afri-

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Le Pen Now Maneuvers To Salvage a Seat or 2 In the French Assembly

By Joseph Fitchett
International Herald Tribune

PARIS — Jean-Marie Le Pen, the leader of the extreme rightist National Front, started a week of political maneuvering Monday in an attempt to salvage one or two seats for his party, which faces elimination from the National Assembly in the run-off ballot Sunday.

The results of the first round of parliamentary elections started many observers. Pollsters in particular were confounded by the fact that conservative groupings fought the Socialist Party to a virtual draw, instead of being buried by the landslide victory they had predicted for President François Mitterrand's supporters.

Mr. Le Pen's strategy has been to concentrate his party's top vote-getters in Marseille in hopes of sweeping out the Socialists there on a wave of resentment against immigrants.

Two years ago, the National Front took 35 seats in the National Assembly because of a proportional voting system that was weighted to help smaller parties.

In the presidential election last month that returned Mr. Mitterrand to office, the National Front won 14.4 percent of the vote.

In the first round of voting for the National Assembly on Sunday, the National Front emerged with an estimated 9.7 percent of the popular vote, which, computer projections forecast, would leave the National Front without a single member of Parliament. Paradoxically, the same score in 1986 — under the former voting system — allowed the National Front to enter Parliament. The newly restored system, in which weaker parties are eliminated in the first round, is designed to bring strong parliamentary majorities out of France's half-dozen political parties.

Ironically, the conservative alliance would have emerged in a dominant position Sunday night if it had not changed the voting system when it controlled Parliament between 1986 and last month.

But the first-past-the-post system, restored by Charles Pasqua, the former conservative interior minister, backfired against the conservatives, who won 40.4 percent of the vote, 3 points more than the Socialists.

Mr. Le Pen himself seems certain to be beaten in his effort to win a seat in the Marseille constituency, into which the former paratrooper chose to "parachute" himself as a candidate, as a first step toward building a regional power base for his party.

Computer analysis indicated that next Sunday, with run-offs in 455 of the 577 constituencies, the Socialist Party will win a narrow majority.

In theory, this outcome would please Mr. Mitterrand, who has repeatedly voiced concern that a strong "pink wave" in Parliament would make it harder for him to achieve a working relationship between a Socialist-led government and moderate centrists.

But conservatives, shored by their unexpectedly strong showing, will be reluctant now to cross party lines.

Instead, to consolidate their position, the conservatives will be seeking support from Mr. Le Pen's

voters to obtain the extra 10 percent of the votes required to win the run-off ballot.

So this week, to salvage a seat or two, Mr. Le Pen will be bargaining with other conservative leaders, offering to sacrifice some of his weaker candidates if, in exchange, the way is cleared for a couple of his front-runners.

The National Front has some leverage: its candidates won at least 12.5 percent of the vote in nearly 50 constituencies. They are thus able to stay on for the run-off round, turning some into three-way contests in which the conservative vote may split and allow a Socialist victory.

Discreet local alliances in Marseille, where Mr. Le Pen will also be needed by the right in next year's municipal elections, will probably enable one and perhaps two National Front candidates to enter the National Assembly.

Because of Mr. Le Pen's offensive, Marseille turned out to be the only turbulent arena in a listless campaign, at least until Sunday's surprises set the stage for a week of political maneuvering.

The Communists scored an estimated 11.3 percent, a marked improvement after years of decline.

In Marseille, Bernard Tapie, a businessman, had been dispatched by Mr. Mitterrand to challenge the National Front candidate. But he stands to lose to a strongly backed local candidate.

The electoral system also affected the overriding debate Monday: Has France reverted to a left-right confrontation or can the country still open its political life to bipartisan cooperation and effective democracy?

Most commentators said that the vote confirmed a desire of Frenchmen to prevent a single party from becoming too powerful.

That is why, analysts said, many people broke their habit of voting for parliamentary candidates who back the president. This time, French voters declined to follow Mr. Mitterrand's lead.

Most politicians were still puzzled by the record abstention rate of nearly 35 percent in the first round. These votes will be important to the outcome since one percentage point in the popular vote next Sunday will translate into 40 to 50 seats in Parliament.

A Nicaraguan Town Savors Lull in War

By Stephen Kinzer
New York Times Service

ESTELI, Nicaragua — For the first time since Dr. Marlon Amador became director of the public hospital here in 1985, he is not treating a single war victim.

"The cease-fire has made all the difference in our work," Mr. Amador said during a break in his rounds. "Right now we have no patients who have been shot, no victims of land mines, nobody with shrapnel wounds. All our beds are occupied by civilians who have normal illnesses or who have suffered trauma not related to fighting."

Until the Sandinist government and guerrilla leaders signed a cease-fire agreement March 23, Esteli was in the heart of Nicaragua's war zone. Cannon fire echoed from the surrounding hills, and funeral processions were almost daily events.

Like most of northern Nicaragua, this provincial capital is now almost at ease. Although the warring parties have not yet signed a final armistice, more than two months of peace have all but erased the tension that has dominated life here for years.

"People are living and working without the tremendous emotional



Jean-Marie Le Pen, of the rightist National Front, speaking Monday in Marseille about the election.

TV Court Absolves Waldheim

The Associated Press

LONDON — An international panel of former judges has found that testimony given at a televised commission of inquiry would be too weak to convict President Kurt Waldheim of Austria of Nazi war crimes.

After sitting for nine days and hearing 55 witnesses, including former German soldiers, the judges said early Monday at the end of a four-hour broadcast: "We conclude unanimously that the evidence which has been put before us is not enough to make probable that Lieutenant Waldheim committed any of the war crimes alleged against him in this inquiry."

The inquiry did find, however, that Mr. Waldheim "must have appreciated that many more" captured Italian officers and hostages taken in Yugoslavia in 1942 would be shot after he learned that a large number had been executed.

"But he had no authority over them," the panel said, "and on his

own authority he could do nothing to stop the shootings."

Mr. Waldheim, 69, who served as an intelligence officer with the German Army in Greece and the Balkans during the war, did not come to London for the inquiry. The inquiry was paid for by Home Box Office, a national U.S. pay-TV channel, and Thames Television, a London station.

Mr. Waldheim has vigorously denied the allegations since they surfaced in 1986, four years after he stepped down as UN secretary-general and 41 years after the end of World War II.

He was alleged to have been involved in the massacres of Yugoslav and Greek civilians and partisans, the deportation of Greek Jews to death camps and the delivery for execution of captured British commandos and Greek resistance fighters.

He was also accused of involvement in the burning of villages in

Yugoslavia and a massacre at Kozara, Yugoslavia, of about 70,000 men, women and children in 1942.

The judges' decision was delivered by Sir Frederick Lawton at the end of a film of the testimony titled "Waldheim: A Commission of Inquiry."

"We have not been asked to decide whether Dr. Waldheim is or is not guilty of a crime," Sir Frederick said. "Still less has it been our function to pass a moral judgment upon him."

"A person does not commit a war crime merely because he knows others have committed such crimes," he said, "nor because he worked with or alongside those who committed them." Sir Frederick is a former Lord Justice of Britain's Court of Appeal.

His colleagues were Shirley Hufstader, a former judge on the U.S. Court of Appeals, and Walter Hubner of West Germany, Gustav Petren of Sweden and Gordon Cooper of Canada.

A Warning By Carlucci On Helping Soviet Union

By Fred Hiatt
Washington Post Service

TOKYO — Defense Secretary Frank C. Carlucci said Monday that helping the Soviet Union modernize its economy may be "an enormous miscalculation" and that the West should not relax in the face of an unchanged Soviet military threat.

Mr. Carlucci, stopping on his way back from Moscow, struck a decidedly darker note in describing the summit meeting than did President Ronald Reagan on his way home in London. Mr. Reagan praised the Soviet leader, Mikhail S. Gorbachev, for his reform efforts and said that a worldwide movement to democracy is ushering in "the hope of a new era in human history."

The defense secretary acknowledged the value of summit meetings to ease tensions, including his own side sessions with his Soviet counterpart, but said he had seen no change in the Soviet military.

"Summitry is no substitute for security," Mr. Carlucci said in his prepared speech to reporters.

"Until we see tangible changes," he said, "we should not change our defense policies. We are still facing a very substantial military threat."

Mr. Carlucci also said the West should "beware of repeating the experience of the 1970s," a reference to the détente of the Nixon era. He said that Mr. Gorbachev's perestroika, or restructuring, could ultimately serve to make the Soviet Union a greater threat.

"He is not, so to speak, changing the fundamental structure of society," the defense secretary said of Mr. Gorbachev. "He is just trying to make the system more efficient. If the end result of that is a Soviet Union that is less expansionist in its foreign policy, that stops its human rights violations or that comes to respect human rights values, and is more open to a dialogue with the West, then we will all be better off."

But if the end result is that the Western alliance relaxes its defense effort and the Soviet Union modernizes its industrial and technological base and if some time in the 1990s it ends up as a society that can produce enormous quantities of weapons even more effectively than it does today, then we will have made an enormous miscalculation.

He said his discussions on Soviet military doctrine have left "a number of questions" unresolved.

"The dialogue is a healthy one," Mr. Carlucci said. "But we as yet see no change in Soviet force structure, in the offensive configuration of their forces. While perestroika is important, let me emphasize that as of today we have not seen any tangible impact of perestroika on the Soviet military establishment."

WORLD BRIEFS

Reagan Says Summit Evoked 'Hope'

WASHINGTON (WP) — President Ronald Reagan, in an upbeat report on his visit to Moscow, said Monday that his meetings with Mikhail S. Gorbachev, the Soviet leader, had produced "a sense of hope, a powerful hope" for improvement in U.S.-Soviet relations.

The "greatest significance of what took place," he said, was his opportunity to talk directly with Soviet citizens in "words of faith, words of freedom, words of truth."

Paraphrasing the words of the Russian writer Boris Pasternak in "Dr. Zhivago," Mr. Reagan said: "The power of that unshared truth is irresistible."

But his outlook for a strategic nuclear arms reduction treaty, or START, before his term ends in January was cautious. "When will the START treaty be completed?" he asked. "We still do not know."

Arabs Hold a Summit Over Uprising

ALGIERS (Reuters) — Arab leaders gathered for a summit conference in Algiers, but there was little evidence of a consensus on how to track a six-month Palestinian uprising in the Israeli-occupied territories.

The emergency summit meeting Tuesday was called by Algeria partly in response to taunts that other Arabs have done little for Palestinians, who have lost more than 200 dead so far in their latest fight against Israeli occupation.

Arab diplomats and officials say many Arab leaders had doubts about the usefulness of a summit meeting, feeling there is little they could do but proclaim support for the uprising. But they said a large turnout of heads of state of the 21-member Arab League was nevertheless expected.

European Is Slain in New Caledonia

NOUMEA, New Caledonia (AP) — A European was killed and another wounded Monday on a farm on the east coast of this French island territory. It was first death in ethnic tensions since the French presidential elections on May 8.

Albert Sangame, 30, was killed by a bullet fired by an unknown assailant, according to the French High Commission in Noumea, the territorial capital. A companion, Franck Hanequin, was shot in the arm and taken to a local clinic for treatment.

The farm where the shooting occurred is owned by Lucien Dubois, whose brother, Marcel, is a leader of the extreme rightist National Front, which vigorously supports New Caledonia's remaining part of France. Most Melanesians, who make up 43 percent of the population, want some form of independence.

Fiji Police Seize Arms and Detain 40

SUVA, Fiji (Reuters) — Fijian police detained 40 people Monday, including a former foreign minister, after seizing weapons at seven sites belonging to ethnic Indians.

The Ministry of Information said former Foreign Minister Krishna Datt and 14 other Indians had been detained for interrogation in Suva. Indians slightly outnumber indigenous Fijians among the island state's population of 714,000 and relations between the two groups have been tense for years.

Another 23 people were detained in the Indian-dominated western area of Fiji after police searched houses, farms and outbuildings around Nadi and Lautoka and discovered weapons that they said included four machine guns, 103 rifles, 10 rocket launchers and 72 bayonets.

South Korea Detains 120 Students

SEOUL (NYT) — In a crackdown aimed at blocking student plans for a meeting with their North Korean counterparts, the police detained 120 students Monday as they tried to head toward the Demilitarized Zone.

The proposed student meeting, set for Friday, is drawing the harshest government response since President Roh Tae Woo took office in February. Police have put student organizers of the meeting on a wanted list.

They have already detained five students, including four on Saturday after they tried to meet with U.S. military officials to get permission to enter the truce village of Panmunjom. South Korean students want to talk with students from the North at Panmunjom as a first step toward easing tension between the two nations and eventually reunifying them.

Paraguay's Leader Assails Critics

UNITED NATIONS, New York (Reuters) — President Alfredo Stroessner of Paraguay denounced critics of his 33 years of authoritarian rule in a speech Monday at a special General Assembly session on disarmament.

The general, 75, said such criticism was a result of "ideological currents that distort the reality of Paraguay." Criticism of Paraguay, he added, has been directly linked to groups "seriously engaged with subversion on a continental level."

He went on to defend his long hold on power as having "put an end to almost four decades of anarchy and backwardness," turning Paraguay into a prosperous democracy. While General Stroessner spoke, critics distributed leaflets in corridors and press offices denouncing his record on human rights, press freedom and democracy.

Break in Cyprus Deadlock Is Hinted

UNITED NATIONS, New York (Reuters) — A meeting between President George Vassiliou of Cyprus and the Turkish Cypriot leader, Rauf Denktaş, could take place in Geneva next month if Turkey makes a goodwill gesture, a Cypriot source says.

Such a meeting could lead to a resumption of talks, which have been suspended for more than three years, to try to resolve disputes between the island's Greek Cypriot and Turkish Cypriot communities.

The source said the gesture could be the handing over of the town of Varosha, now unadministered, to UN control for eventual resettlement by its former Greek Cypriot residents. Another gesture, the source said, might be the announcement of a timetable for the eventual withdrawal of Turkish troops from Cyprus.

WHO Predicts Sharp Rise in AIDS

UNITED NATIONS, New York (Reuters) — An estimated 100,000 new cases of acquired immune deficiency syndrome will occur worldwide during 1988, equal to the total number that have occurred so far, according to a report published Monday by a UN agency.

By 1991, the cumulative total could be one million cases, according to the report, which was drafted by the director-general of the World Health Organization.

From the available data, WHO estimates that during 1988, approximately 150,000 new cases of AIDS will occur," the report said. "Therefore, the number of new AIDS cases during 1988 will equal the total number of cases that have thus far occurred worldwide."

For the Record

The death toll from an explosion on a Soviet freight train Saturday rose to 73 on Monday, the official Tass news agency said. The train passed east of Moscow. More than 200 people were injured.

The pro-Vietnamese government in Cambodia has agreed to a program from Phnom Penh to a resistance leader, for a meeting among the four major Cambodian factions aimed at ending the Cambodian conflict, the Phnom Penh news agency SPA reported Monday.

A best week claimed 26 more victims on Monday in Rajasthan State, raising the toll across northern India to nearly 480 in eight days, AP United News of India reported.

Two persons, including a priest, were killed and nine others wounded when police opened fire Sunday on rioting prisoners near the Dominican Republic capital of Santo Domingo, police said.

India said Monday that a small contingent of Indian troops would withdraw on Tuesday from Sri Lanka because of recent successful wresting control of the northern and eastern parts of the island from Tamil rebels.

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Jackson's Half-Brother Arrested in So. Carolina

The Associated Press

GREENVILLE, South Carolina — The Reverend Jesse L. Jackson's half-brother, Noah Robinson, has been freed on \$500,000 bond after being charged with hiring someone to attack a witness to a slaying, police said.

Mr. Robinson, 45, a small businessman whom Mr. Jackson gave control of one of his federally funded civil rights groups, denied the charges.

Power-Sharing Ruled Out

The Associated Press

President Daniel Ortega Savadra of Nicaragua said Sunday that the Sandinist government would not negotiate power-sharing or democracy with contra leaders at the peace talks, Reuters reported from Managua.

In a speech to a crowd of about 600 pro-government workers, he also said that the Sandinist revolution would oust President Ronald Reagan, whose term is due to expire in January 1989.

"We are not negotiating political power with the contras," Mr. Ortega said. "We are not negotiating democracy with the contras."

Mr. Ortega said all the signs were that no accords to end the seven-year war would be reached at a fourth round of peace talks in Managua on June 7-9, but he said the

meeting would not necessarily be the last. At the most recent meeting in late May, the Sandinists said they would guarantee democratic reforms demanded by the contras by allowing them a part in talks on Nicaragua's political future.

Stockholm — The Social Democratic government appeared Monday to be facing an unprecedented defeat on a vote of confidence over its handling of an investigation into the 1986 murder of Prime Minister Olof Palme.

Parties commanding a parliamentary majority said they would vote against the government and for the dismissal of Justice Minister Anna-Greta Leijon. The vote is later this week.

Only two no-confidence motions have been voted on in Swedish parliamentary history, and neither succeeded.

Mr. Palme was shot while walking with his wife from a movie theater. His killer escaped down an alley.

Since then, investigators have produced many theories but no clear leads. Last year, the government offered \$8 million for information leading to the killer.

Miss Leijon authorized a privately funded, covert investigation into the shooting. The inquiry was headed by a publisher, Ebbe Carlsson, who has close links to the ruling party but no evident investigative qualifications.

Last Thursday, Mr. Carlsson's bodyguard was apprehended trying to smuggle illegal surveillance equipment into Sweden. Mr. Carlsson confirmed that the bodyguard had been acting for him.

The fate of the justice minister appeared sealed when the small Communist Party, which normally supports the Social Democrats, said it would back three center-right parties in the no-confidence vote. This would give the opposition 190 votes against 159.

Newspapers joined the opposition parties on the issue.

"It would be best if the justice minister herself resigned," said the pro-conservative Svenska Dagbladet. "Otherwise, the prime minister should intervene."

"Leijon must offer better explanations for her conduct, otherwise her political position will be untenable."

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Food Aid Sought For Vietnamese

ROME — The United Nations Food and Agriculture Organization appealed on Monday for emergency food aid to combat possible famine in northern Vietnam.

FAO said the Vietnamese government had already appealed to the international community to help feed an estimated seven million people in 12 northern provinces and cities. About 40 percent of those worst hit are under the age of 14.

Vietnam's cereal crops last year suffered from the weakest and most erratic monsoon on record. Official figures showed food-grain production fell from 18.2 million tons in 1985 to 17.6 million tons in 1987, the agency said.

Delays on Spanish Flights Forecast

MADRID (AP) — Travelers flying to and from Spain can expect "normal" seasonal delays after two weeks of tie-ups at the onset of summer season, a Civil Aviation official said Monday.

Victoria Galban said the annual mid-May jump in air traffic all over Europe backed up flights in Spain, especially in tourist destinations like Palma de Mallorca and Barcelona, where many vacationers catch connecting flights.

"The beginning of the season is always the same," Ms. Galban said while we make the adjustment to the increase in traffic." She says reports in the British press that labor disputes caused recent delays of up to 18 hours on some charter flights to Barcelona and Palma.

A four-hour strike in Greece by air traffic controllers over wages and pensions was expected to cancel or postpone all Greek domestic and international flights on Tuesday.

The Tower of London was Britain's most frequently visited historic site in 1987, attracting 2.29 million tourists, up from 2.02 million in 1986, British Tourist Authority reported in statistics published Monday.

A possible link-up between Scandinavian Airlines System (SAS) and state-owned airline Aerolineas Argentinas has been delayed, SAS said Monday.

TRAVEL UPDATE

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Stockholm on Monday.

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OPINION

Moscow Is Moving on Africa, But Reagan Missed the Hint

By William Safire

MOSCOW — Driver pulls up in front of the Intourist Hotel near Red Square, double-parks and blocks the entrance. Soviet policeman shouts at him that the car will be towed away. Driver shrugs and walks off. How, I asked, can this blatant challenge to authority be tolerated? "The threat had no credibility," my interpreter replied. "That cop couldn't get a tow truck here in a week."

Angola, which offered real opportunity for superpower progress, was relegated to the third level of summitteering by the impresario Shultz.

promising more freedoms at home and no more subversion abroad. Wearing this mask, they hope to induce the West to accept their economic salvation. Mikhail Gorbachev offers the illusion of "democratization" because he has no other choice. World power is openly noted in economic power, and Moscow has been forced to call time-out to ask for *perestroika*, a breathing spell, and to reveal the Soviet desperation for Western credits and technology. Any recognition of the Russians' real motives for the rearming of the West is masked by a new consensus, one of the new thinking economists, Nikolai Shmelev, denounced articles I have written. My thesis has been that the revelation of zero growth in the Soviet economy means that the level of military spending has become unsustainable; that now is the time for the West to press for arms cuts and major pullbacks in Africa and Central America.



LETTERS TO THE EDITOR

A Secular Hope for Iran

Regarding the New York Times editorial "Open the Door for Iran" (May 9): History shows the ruthlessness of religious regimes, especially Islamic ones. By now, everybody knows what the Islamic regime stands for: disregard for international laws, terrorism, gross abuse of human rights and warmongering for starters. Only a secular government that believes in democracy, respect for international laws, peace and human rights can and will negotiate a diplomatic solution to the Gulf war. Remember the government of Mohammed Mossadegh from 1951 to 1953? Remember the CIA-backed toppling in 1953 of the only democratic government in the history of modern Iran? The United States should stop fantasizing about "moderate mullahs." There is no such creature as a "moderate mullah." Remember the Iran-contra affair? If the West stops flirting with the Khomeini regime, then the people of Iran will be able to implement Mr. Shapur Bakhtiari's plan to overthrow Ayatollah Khomeini by a popular uprising. Only when the popular Mr. Bakhtiari (an old protégé of Mr. Mossadegh) forms a government will the doors of Iran be opened for all peace- and liberty-loving countries of the world.

Oh, to Be in America

Although delighted to divide my time between France and Britain, as an expatriate American I do feel a degree of nostalgia for the good old United States. Despite a decrease in violent crime ("Violent Crime Wanes in U.S.," May 10), the United States still boasts a higher rate than Western Europe. The sleaze in government continues, and great fortunes are being amassed in the drug trade. But above and beyond these amenities, envy smolders when one considers the excitement that must be galvanizing the electorate at the prospect of the presidential race between two dynamic,

Culinary Chauvinism

As a seven-year veteran of West Germany's restaurant and hotel industry, I take exception to Serge Schmemmann's feature "Finding Stars in German Kitchens" (May 12). Mitchell's inspectors, Jochen Jeitsch and Alfred Berber, may be German-born but they demonstrate scant understanding of German food customs. With French cuisine held up as some sort of standard, it is no wonder that the distinctive fare of countries like West Germany and Italy fares less than stellerly in the Michelin guides. An international guide is no place for culinary chauvinism. If we are going to talk of deserts, let's make sure they are just ones. Wolfgang Hoffig, Tübingen, West Germany.

The Flag Was Missing

Regarding "The Last Emperor: History's Truth or Ministry of Truth" (May 13): The director Bernardo Bertolucci made another major concession while filming "The Last Emperor": During the entire epic, the flag of the Republic of China is never shown. The republican government ruled China for most of Puyi's lifetime, from 1911 to 1949, and although Mr. Bertolucci took pains to recreate the costumes and scenery of the time, the most obvious symbol of the period, the republic's flag, is not seen. The reason is obvious: The current government considers the flag anathema because the republicans still govern on Taiwan and claim to be the legal government of all China. CHIH-CHIEN HSU, Taipei.

Computers and Complexity Are Reordering the Sciences

By Heinz R. Pagels

NEW YORK — As a college student 30 years ago, I was offered courses in the natural sciences (biology, physics, chemistry) and the behavioral sciences (psychology, anthropology, sociology, economics). They were neatly packaged, and there was only modest overlap between them; each had its own intellectu-

models process information in parallel rather than serial ways. It is as if one person reading every page of a 1,000-page book to search for one special sentence is replaced by 1,000 readers each searching through a different page. Parallel distributive processing models also can distribute and store information in a computer's entire network of connections rather than in individual switches. This produces a more "robust" system that, through redundancy, can better resist error and accidental damage. Moreover, with distributive processing, computers are not so much programmed as trained to solve problems. Hence, they have the capacity to learn, like human beings, through repeated exposure to a task and through rewards for performing it successfully.

Finally, these computer models make possible a "content addressable" memory that, like human memory, recalls information by association; partial data supplied to the network can draw out the full content of some stored information. Future areas of development in the sciences of complexity include trying to crack the cognition problem (finding a way of representing in a computer the meaning of sentences rather than just the formal content, which the brain does in a way as yet unknown) and creating a so-called nanotechnology: molecular-sized machines, computers and "factories" to be inserted into living cells to repair them. The rise of the sciences of complexity is obviously a major challenge to society. At the moment, the United States has a supreme advantage in such software development, since Japan, for reasons that have more to do with culture than with resources, has been at a disadvantage in developing innovative software. And today the important frontier is software. Advanced societies must prepare to respond to the challenge of this new frontier in science. This means the United States must develop a policy and institutional structure in the information sciences and sciences of complexity similar to the ones that gave rise to the National Science Foundation and the National Institutes of Health. At first, the sciences would need government support. Commercial development would follow. Government leaders must understand that targeting projects piecemeal is not productive. Instead, what is required is the promotion of a new scientific culture. It is not a question of big science vs. small science but the challenge of an entirely new science.

The writer, executive director of the New York Academy of Sciences, is author of a forthcoming book on the sciences of complexity. He contributed this column to The New York Times.

GENERAL NEWS

U.S. Candidates Woo Hispanic Voters

By Robert Reinhold

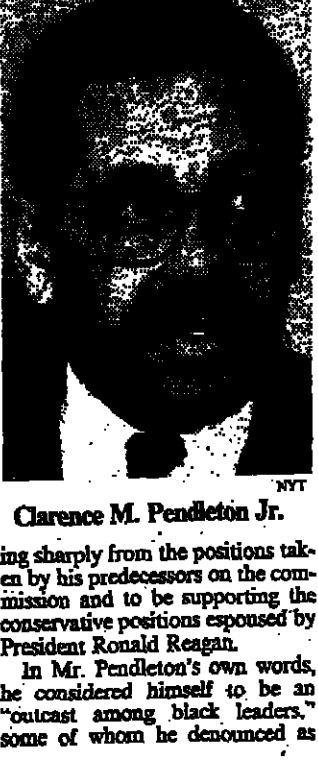
LOS ANGELES — When Governor Michael S. Dukakis of Massachusetts, the son of Greek immigrants, visits the Mexican-American barrios of East Los Angeles, he delights audiences with "yo just order the same as my flawless Spanish. Backers of the probable Democratic presidential nominee call it the "secret weapon," although a lot of many in his audience are not stence, no use of foot. The president at a order breakfast in Spanish, so he liked the Reagan. The Reagan does not seem to be a Mexican man and speaks fluent Spanish, and to lead to conflict. Both the Democrats and the Republicans are gearing up to attract the Hispanic vote, which many see as the first time she has had a "swing" bloc in California, Texas, a American motherland. The Hispanic vote is not likely to be tested in Tuesday's presidential primary. With the invasion of Hispanic Americans, the Hispanic vote has long been considered a potentially crucial vote because they are concentrated in New York, New Jersey, Florida, Illinois, Texas, and California. These six states account for 173 of the 270 electoral votes needed to win in November. "In close elections that are decided by a few percentage points, in-

cremental shifts in the Latino vote can be a deciding factor," according to a recent analysis by Harry P. Pachon and Louis DeSipio of the National Association of Latino Elected and Appointed Officials. But there are doubts among some political experts. In California, according to Mervin D. Field, director of the California Poll, Hispanics make up 22 percent of the general population, but in 1986 they represented only 8 percent of the voters. Only one in four Hispanics actually voted that year. More register because they were not American citizens. "They are a big population, but not a swing vote," Mr. Field said. Eileen Padberg, regional political director for the Bush campaign, said Hispanic voters would be courted through such efforts as Spanish-language ads, but there have been none for the primary. And Mr. Bush has met repeatedly with Mexican-American leaders. The Hispanic community is growing and it's increasingly conservative," said Steven A. Merk-samer, a former campaign director for Governor George Deukmejian of California, a Republican. "We have to make every effort to attract them." "The majority of Hispanics are conservative," said Ray Jaurqui,

Clarence Pendleton, U.S. Rights Official, Dies

By Martin Weil

WASHINGTON — Clarence M. Pendleton Jr., the chairman of the U.S. Civil Rights Commission, died Sunday in San Diego after collapsing with an apparent heart attack at a health club. He was 77. Mr. Pendleton, who lived in California, fell unconscious while riding a stationary bicycle at a health club and died an hour later at Mission Bay Hospital. Mr. Pendleton had followed a daily regimen of vigorous exercise after recovering from a 1976 heart attack. As chairman of the rights commission since 1982, Mr. Pendleton was one of the most visible black faces of the Reagan administration. He became known for opposition to busing to bring about school segregation and to such programs as quotas and affirmative action, which were designed to compensate for the effects of past discrimination. In this he appeared to be deviat-



"new racists" because of what he said was their support of special treatment for blacks. It was his view that the key to black economic improvement was through the private sector, and he said that legislation designed to help people escape poverty actually imprisoned blacks by creating dependency. In part, the storms of controversy he created appeared to be attributable to his philosophical position, but his mode of expression, often described as abrasive, played a part. For example, he called the idea of comparable worth the "looniest idea since 'Looney Tunes.'" The concept of comparable worth means comparable pay for persons performing different jobs having comparable skills and responsibilities. It has been advanced to correct what has been seen as an inequality in pay between men and women. A week after the 1984 election, Mr. Pendleton stirred anger by calling liberal black leaders "the new racists." "I say to America's black leader-

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ARTS / LEISURE

Branford Marsalis: Of Pride and Prejudice, Sting and Jazz

By Mike Zwerin

PARIS — Branford Marsalis is working so much it's embarrassing. He's afraid his friends will get jealous if they know how busy he is. But it's not just for the money. To the consternation of his managers and record company, Marsalis accepts just about any job at any price if the music appeals to him. The reason he can afford such indulgence at the early age of 27 can be explained in one word — Sting.

When Police disbanded its lead singer went out on his own in 1985 with jazz-oriented rock material, he hired the best young jazz musicians he could find. Along with the keyboardist Kenny Kirkland, Marsalis became Sting's ensemble player and featured soloist. Branford had already been a rising star with his trumpet brother Wynton and with Art Blakey and approval was anything but universal when Sting hired him away to become part of a black band working for a white rock star. You heard lines like "selling out for the bread" and "back to the plantation."

Since being featured with Sting, Marsalis has signed a multi-record contract with CBS, has played featured roles in two films and, as he puts it, "people know me as Branford." So it seemed like a step backward when he rejoined Sting on his current "Nothing Like the Sun" world tour and became a saxophone-playing sideman again.

"Sting really wanted me to do this tour," Marsalis explained backstage at a sold-out Bercy Olympia arena last weekend. "And I'm not naive enough to think that all of a sudden people just started to appreciate my music. I'm perfectly aware of how selfish Sting was promoting us the way he did. Michael Jackson has a great band but you never hear one name mentioned in the show, nobody gets a spotlight but him. This is a very different kind of organization. My career took off after Sting. Maybe it would have happened anyway, but nowhere near so fast. This tour is driving me crazy, but I owed him this."

Marsalis projects contagious enthusiasm. He starts speaking in

double-time and it's accelerating from there. He says what he thinks, stops to reflect what it might imply, and says "I don't care if it's printed" and goes ahead because it's important to him to say it. He has a pretty good idea who he is. When he dances with Sting on stage — a black jazz musician doing this has had connotations — he seems to be doing it because he likes to dance. He admits to being a ham.

"Everybody in my family is a ham. My son is a ham and he's only two and a half. I've never been nervous on stage or in front of a camera. A camera is only an inanimate object."

His role in Spike Lee's movie "School Daze" is "typocasting. I read the script and laughed. I said, 'You want to pay me to live in Atlanta for 10 weeks and do this? I do it every day of my life anyway!' I do this wisecracking student, which is just what I was like in school."

The film got some negative reviews, which he attributes to "a manifestation of anger on the part of white reviewers. The problem is that so many critics are not knowledgeable about black life. They never learned about that, they have no way to judge it, it frustrates them. Like there are never any commercials with black guys reminding their hatred of television. When we first joined his band, Sting used to watch us comb our hair like it was some sort of magic act. 'Damn! So that's how they do it!'"

"There's been a lot of Sting-bashing going on ever since he

hired our band. People said he was just doing it to get publicity. That's the best thing I ever heard. 'Sting's using you to get respect,' they say. Respect from whom? People who like jazz don't go to rock concerts. I went down to the Village Vanguard with Sting and half the people didn't know who he was. They didn't even want to know. They said 'How you doing man, you from England? You like the music? Solid.' And what kind of publicity? If Sting's using us to get publicity, where does all the publicity go when we aren't with him? Where's all this great respect we're supposed to have that he's supposed to be using? Nobody's after us to do the big TV shows."

"It's not Sting's fault that he's white — no more than it's Larry Bird's fault, but why are the Boston Celtics America's most beloved basketball team? This is the system, you have to be aware of how the system works. It makes a lot of mediocre players turn on him so that Bird is no longer just a basketball player, he's the enemy. 'Larry Bird took the cover of this or that magazine. They wouldn't put Magic Johnson on the cover.' So Bird has to deal with that. And it's not his fault."

"And there's definitely a serious black-white division in jazz. Enthusiasm for white musicians came to New York loving Coltrane, with a lot of respect for the tradition, and black musicians lay a number on them. A lot of that goes on. On the other hand, Dave Liebman doesn't hire any black musicians. When I joined Miles [Davis], Bill

Evans was playing saxophone too. Miles did some things with Bill that went beyond the borders of taste. He would pull the horn out of Bill's mouth on stage. When Miles does that to Bill, white people say it's because Bill is white; they ignore the fact that he's doing the same sort of thing to Al Foster. A lot of that goes on.

"It's just America. Blacksploitation movies are more subtle but they're still here. I read a script for a beach movie. I was supposed to be a wise guy black kid always cracking jokes. Everybody gets a girl but me. They said that's because it's a cameo role. 'Cameo' means the black guy doesn't get the girl. I don't need that stuff, I don't have time for it. Fortunately, I have something else I can do.

"When I'm playing with rock musicians, I see this look in their eyes — it doesn't matter how much money they have or what big stars they are. They know I'm doing something they could never do. Nothing can replace that. Nobody can ever take that from me, even if I'm dirt poor. Jazz musicians have the ability to play music other guys can never play. And when this tour is over I'm going back to it, back to no record sales, back to playing that stuff nobody wants to hear. I can hardly wait."

Sting: June 8, Offenbach (West Germany); June 9, Dortmund; June 11, Berlin; June 12-13, Hamburg; June 15, Bremen; June 16, Copenhagen; June 18, Stockholm; June 20, Helsinki; June 22, Oslo; June 26, Frankfurt; June 29, Paris (Bercy).

Sting: June 8, Offenbach (West Germany); June 9, Dortmund; June 11, Berlin; June 12-13, Hamburg; June 15, Bremen; June 16, Copenhagen; June 18, Stockholm; June 20, Helsinki; June 22, Oslo; June 26, Frankfurt; June 29, Paris (Bercy).

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Branford Marsalis (left) rejoined Sting for a world tour. Marsalis is happy but not everyone else is.

Al Rejects... fer to Carry... gs to Europe... RUSALEM — Israeli... airline rejected... less deal Monday... port live pigs as... g pork has no plac... s... ve don't put pork... s of our passengers... ren't going to put... bellies of our planes... said Nachum... a spokesman for B... nes... said an unidentified... pany proposed the... sport breeding pig... United States to lang... Al has never slig... o of swine. Being... a Jewish clientele, it... s are forbidden b... s law to eat pork.

Art Magazines Mix Salon Gloss and Murky Prose

By Jeremy Gerard

NEW YORK — They flatter the cocktail tables of Park Avenue salons and madcapton highways, hawking the paper of a multimillion-dollar industry on paper so highly polished that a reader's reflection merges with the images on the cover.

Art magazines may seem to be the casual companions of the art world, but they are anything but. They are glossy, glossy, glossy, framed by insatiable prose and gridlocked with gallery advertisements. But for an audience that comprises artists, dealers, collectors, museum curators, dealers and the odd layman keeping tabs on Neo-Geo, Simulationism and other art fashions, art magazines are something else.

They can confirm a trend, boost a career, mount a gallery — or none of the above. It depends on whom you talk to.

code that advertisers can buy reviews — at the other magazines, of course. In any case, "without question, the magazines make the scene," said the publisher of Arts magazine, Paul Shanley. "If there were no art magazines, there would have to be art magazines. The information just wouldn't flow."

The most influential, in addition to Arts, are Art in America, Artforum and the elder statesman of American art magazines, Artforum, founded in 1902. They have a combined, heavily overlapping circulation of 177,000. (Artsnews's 74,000 is the highest.) Their competition includes European counterparts like the currently hot Flash Art, published in Milan, and Artscibe, published in London, and the mainstream American publications like Art & Antiques, Art & Auction, and Connoisseur. They serve an industry worth at least \$3 billion to \$5 billion, according to Gilbert S. Edelson, administrative vice president of the Art Dealers Association.

"To one degree or another, I think all the magazines are reporting to the same batch of people — on one side, artists, curators, educators and dealers, and on the other side, the collectors and the generally

interested audience," Shanley said. "The most serious readers are the artists."

Knight Landeman, executive publisher of Artforum, said the art magazines are part of a mix essential to keeping the industry healthy. "I think the magazines definitely have an impact on an artist's career," he said. "The most viable metaphor is an echo chamber. The sides of the box are gallery support, critical support from magazines, museum support and the support of collectors. If one of those walls is missing, the volume of interest in an artist doesn't build."

Collectors are the heaviest subscribers. "I read everything I can get and I have for 27 years, since Barbara and I started collecting," said Eugene Schwartz, who, with his wife, is one of New York's most conspicuous consumers of contemporary art. "I believe that the first thing a collector should do before collecting is collect art magazines."

"Which magazines are most important depends on who you are," said Marcia Tucker, director of the New Museum of Contemporary Art. "For collectors, credibility is how long the magazine's been in existence and how good the reproduction is. Coverage has changed somewhat. The cult of the personality has overridden everything."

Artnews stands as its territory the reporting of hard news on the art scene. "Most of the magazines were filled with convoluted nonsense," said Milton Esterow, the publisher and editor. "Even now, there isn't that much art journalism in the art magazines. We've done pieces on abuses in the sale of prints and sculpture reproductions; we even named a couple of our advertisers. Now they're former advertisers."

The relationship between advertisers and the art magazines sets nearly everyone involved on edge. "There seems to be a connection between advertising and reviewing," Gagosian said, carefully. "Without naming names, it seems to be more true in some magazines than in others."

Tucker, of the New Museum, said there were other problems with the magazines.

"One is that they refuse to cover work of blacks and Hispanics," she said. "That is the easiest thing in the world to correct, and it could change the art world."

And then there is the matter of language. "The challenge is to edit for general accessibility," said Ellen Gellman, the editor of Art in America. "You edit for the informed person who'll meet you halfway."

Five years ago, Wick Allison became publisher of the languishing Art & Antiques and turned it into a headline-making, popularly read magazine through "scoops" like a report on the August 1986 discovery and sale of Andrew Wyeth's "Helga" paintings. Circulation rose from 23,000 to 114,786.

Allison, who will take over as publisher of The National Review next year, is pleased to diverge from his colleagues. "I'm delighted not to be associated with them," he said. "The language is purposely there to confuse us. I mean, how can you write four pages about a Minimalist painting? We decided from the beginning that we'd have no critics, curators or professors in the magazine, but that the writing would, with few exceptions, be done by novelists, poets and artists themselves."

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'Phantom' Wins Tony for Best Musical

By Mervyn Rothstein

NEW YORK — "The Phantom of the Opera," Andrew Lloyd Webber's version of Gaston Leroux's 1910 ghost meets girl at the Paris Opéra, won the Tony Award for Best Musical of the 1987-88 Broadway season. "Phantom," which received a total of seven awards, was the second import in a row from London's West End to get the prize — "Les Miserables" won last year.

"M. Butterfly," David Henry Hwang's drama based on a true story about a French diplomat's 20-year relationship with a Peking Opera diva who was really a man — and a spy — was named best play. "Anything Goes," Lincoln

Ter Theatre's version of the 1930s Cole Porter musical, was selected as best revival. It won three awards. "Phantom," which had received 10 nominations, won out over "Into the Woods," Stephen Sondheim and James Lapine's theme and variations on fairy tales. "Woods" had also gotten 10 nominations and had won the Drama Critics Circle Award. But the Sondheim musical took the prizes for best score and book of a musical — for Sondheim and Lapine, respectively — and wound up with three awards. Sondheim has won more Tonys — five — than any other composer.

"M. Butterfly" also won over the Drama Critics Circle winner, August Wilson's "Joe Turner's Come and Gone." Wilson won last year's best-play Tony, for "Fences."

Michael Crawford of "Phantom" was named best actor in a musical for his portrayal of the masked title character. Joanna Gleason was voted best actress for her role as the baker's wife in "Into the Woods."

Ron Silver was selected best actor in a play for his comic portrayal of a hustling Hollywood producer in David Mamet's "Speed-the-Plow." Joan Allen was named best actress in a play for her role as a mournful modern dancer in Lanford Wilson's "Burn This."

Harold Prince won the Tony for best direction of a musical for "Phantom." It was Prince's 16th Tony — he has won more of them than anyone else. John Dexter won as best director of a play, for "M. Butterfly."

"Phantom" won the technical awards — Maria Bjornson for set and costume design and Andrew Bridge for lighting.

The choreography prize went to Michael Smuin of "Anything Goes." In presenting the award,

Chita Rivera gave a brief tribute to the late choreographer and director Bob Fosse. "He did make us deliciously crazy, very happy and very proud," she said.

The 42d annual awards were presented at the Minskoff Theater in ceremonies broadcast live on CBS, with Angela Lansbury, a four-time Tony winner, as host.

The Tonys are presented by the League of American Theaters and Producers and the American Theater Wing. Don Mischler was the executive producer of the broadcast, which included scenes from all the nominated musicals and plays.

A tribute to music and dance to the late Michael Bennett was presented, with Donna McKechnie of the original "Chorus Line" and the three original "Dreamgirls," Theresa Burrell, Loretta Devine and Sheryl Lee Ralph.

A second scheduled tribute, to Fosse, was canceled last month. Gwen Verdon, who was married to Fosse, is working on a documentary on his career and said she was contractually obligated not to release the rights to his dances until that program was broadcast.

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NYSE Index table with columns: High, Low, Close, Chg.

Mondays NYSE Closing logo and text: Via The Associated Press

AMEX Diary table with columns: Close, Prev.

NASDAQ Index table with columns: Close, Chg., Week, Year

AMEX Most Actives table with columns: Val., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Class, Chg.

NYSE Diary table with columns: Close, Prev.

Odd-Lot Trading In N.Y. table with columns: Buy, Sales, Short

Dow Jones Averages table with columns: Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Chg.

NASDAQ Diary table with columns: Close, Prev.

AMEX Stock Index table with columns: High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

N.Y. Stocks Post Modest Gain

NEW YORK — A rally in the final hour helped push stock prices higher Monday in moderate trading on the New York Stock Exchange, extending the gains won in last week's record advance.

The Dow Jones industrial average, which rose nearly 115 points last week, added another 3.91 to close at 2,075.21. The index was down nearly 7 points with less than an hour to the final bell.

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Handwritten signature or mark at the bottom left of the page.

Greece's New Reckoning

An Upbeat Mood

After Volatile Years, Athens Seeks Positive International Role

By Giles Merritt

ATHENS — The expensive boutiques of the Kolonaki district of Athens nestling at the foot of Mount Lycabettos are not the best guide to the true state of the Greek economy. But they are a good barometer of the mood of Greece.

Greece's economic position remains precarious by most Western European standards. Yet there is an upbeat mood these days, as evidenced by the profusion of high fashion, costly jewelry and gleaming limousines on display in the heart of Athens. Tourism still underpins the national economy, so to some extent Greece's status continues to be that of a playground for northern Europe and America.

But a third of the 10 million population now lives in the capital, and Athens has the prosperous appearance of any other major European city.

There is a palpable feeling that despite the difficult times Greece has lived through during the 1980s, now the country is on the upswing. Democracy is once again stable and assured in its native land, and the time of the Colonels' dictatorship that endured from 1967 to 1974 is these days a fading memory.

The self-confidence of Greeks today is particularly evident in the country's foreign relationships. External affairs are of key importance to Greece, both politically and economically. Greece relies heavily on financial assistance from Europe and the United States and on domestic investment to fuel its industrialization. It also likes to see itself as the political hub of, and spokesman for, the Eastern Mediterranean and for the poorer "South" of the 12-nation European Community.

The government believes that Europe should not cede the major policy initiatives in the Mediterranean to the United States, and that instead the EC should play a much more coherent role in the Mediterranean. This view of itself as the active ingredient in the Mediterranean region's political processes may help to account for an assertiveness that can border on

There is a palpable feeling that Greece is on the upswing.

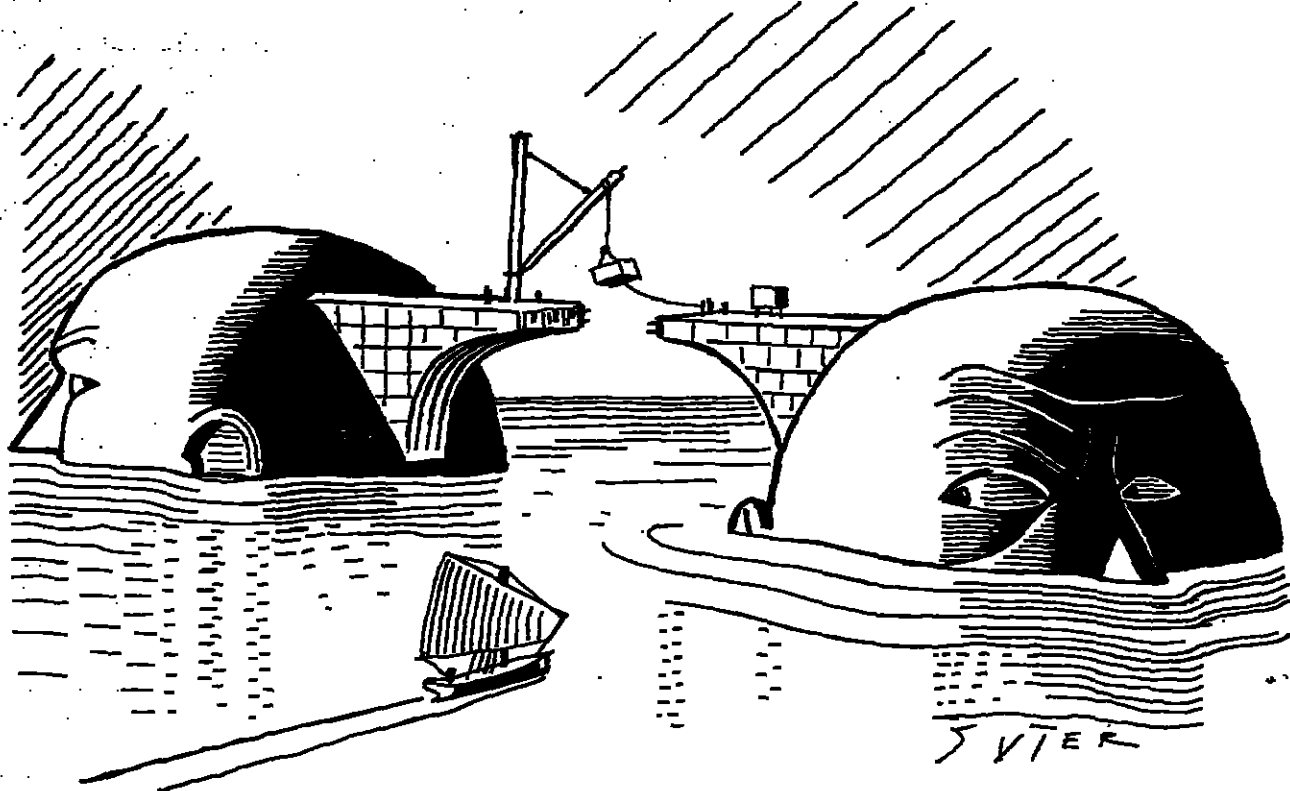
brashness in Greece's dealings with the other members of the EC and the North Atlantic Treaty Organization.

The country's relations with the United States are arguably more volatile still. They go a good deal deeper than Greece's refusal to forget the U.S. "betrayal" of standing by when Turkish troops invaded Cyprus in 1974. It is an enormously complicated relationship, not least because the Greek-American population in the United States of some 4 million people means that one Greek family in three has an American branch.

"Dukakis fever" is sweeping the country, and for many Greeks it is as if Michael S. Dukakis has already won the race to the White House. Meanwhile, the uncertain future of the four major U.S. military bases in Greece is due to be settled before the end of 1988, and any anti-Americanism the Greek authorities may feel has to be tempered by the knowledge that, to the Greek people, the United States is not a foreign country like any other.

Greece's greater self-confidence in international affairs is a reflection of its more constructive role. The country has seven and a half years of EC membership behind it, and on July 1, will take over the revolving six-month presidency of the EC's Council of Ministers. The present government's early doubts about EC

Continued on page 12



David Sauer

Capitalizing on the 'Davos Spirit'

By Carol Reed

ATHENS — When Turgut Ozal starts an official visit to Athens on Monday, it will be the first by a Turkish prime minister in 36 years.

It sets an important milestone in a new Greek-Turkish rapprochement launched in January after decades of tension between the two neighbors and wary North Atlantic Treaty Organization allies.

The talks, which are to last until Wednesday, are expected to be dominated by the emotional issue of Cyprus's 14-year division. Prime Minister Andreas Papandreu said he intended to discuss the "essential requisites" of removing 30,000-35,000 Turkish occupation troops and another 65,000 recent Turkish settlers from northern Cyprus.

While Mr. Ozal initially shied away from discussing Cyprus, he recently told Turkish journalists "if Mr. Papandreu brings up the Cyprus issue, I will discuss it. ... We will hear his view and tell him ours."

Mr. Ozal and Mr. Papandreu met on Jan. 31 at the annual World Economic Forum in Davos, Switzerland, and started the first real communication between the two rivals in nearly a decade.

Although they had been photographed shaking hands at an earlier Davos meeting in 1986, this time they got down to talking after a near brush with war in March 1987 over disputed oil drilling rights in the northern Aegean Sea. They met again in Brussels in March when they agreed to set up a telephone hot line and to meet once a year.

Mr. Papandreu asserted that the Aegean crisis had not been "liberal" and had played a catalytic role in bringing them together. In ensuing months, the two men exchanged several written messages to defuse the tension that almost had led to a naval conflict. The result was the Davos meeting and a commitment to what Mr. Papandreu called a "no war" policy with "no guarantees."

While Mr. Ozal, who repeatedly had said he was willing to meet with Mr. Papandreu

"anywhere, anytime," is largely credited with cooling the atmosphere, the Greek prime minister sought to build on it by sending a message of congratulations to the Turkish leader when he won parliamentary elections in December in which he hailed "our personal communication."

Since January, Greek politics have been dominated by political and economic meetings, new accords, optimism and, recently, some disappointment with the process of hammering out solutions to a tangled web of old problems ranging from relatively easy issues such as visas to more complex ones like delineation of the Aegean seabed and Cyprus.

Greek conservative opposition leaders accuse Mr. Papandreu's ruling Pan-Hellenic Socialist Movement, or PASOK, of going into the Davos meetings with no preparation. Stephanos Manos, a leader of the opposition New Democracy Party, said: "I haven't found a single guy in the Foreign Ministry who made

Continued on page 11

IN THE NEWS

Jan. 30: Ozal, Papandreu Meet in Switzerland

Prime Minister Turgut Ozal of Turkey and Prime Minister Andreas Papandreu of Greece met at Davos, Switzerland, in the first face-to-face encounter between Greek and Turkish heads of government in 10 years. They discussed differences over the Aegean and established two high-level committees to discuss political problems and boost economic cooperation.

March 4: 2 Leaders Issue A Joint Declaration

The Greek and Turkish prime ministers issue a joint declaration announcing moves to settle differences on issues such as the fate of missing persons in Cyprus and Greek property seized by Turkey. The declaration followed talks at the end of a NATO summit meeting in Brussels.

April 15: Greece Says U.S. Stalls Base Talks

Greece blames the United States for the lack of progress in negotiations to reach a new accord on the U.S. bases in Greece. The present one expires in December. Prime Minister Andreas Papandreu has said that a new accord must be tied to progress on Greek-Turkish disputes over the Aegean Sea and over Cyprus.

May 27: Foreign Ministers Hold Talks in Athens

The Greek and Turkish foreign ministers and three days of talks in Athens without touching on the issues of the Aegean Sea and Cyprus. They also pledged to work toward agreements on trade, industry and tourism.

June 6: Strike Wave Spreads Across Greece

Amny trucks are brought in to provide transportation after bus and taxi drivers launched a 48-hour nationwide strike over higher wages and improved working conditions. Social security doctors began a five-day strike, and a teachers' strike entered its third week after weekend talks with the government failed to satisfy demands.

Financial market data including X Most Active, X Stock Index, and various market figures.

GREECE: A COUNTRY WITH POTENTIAL

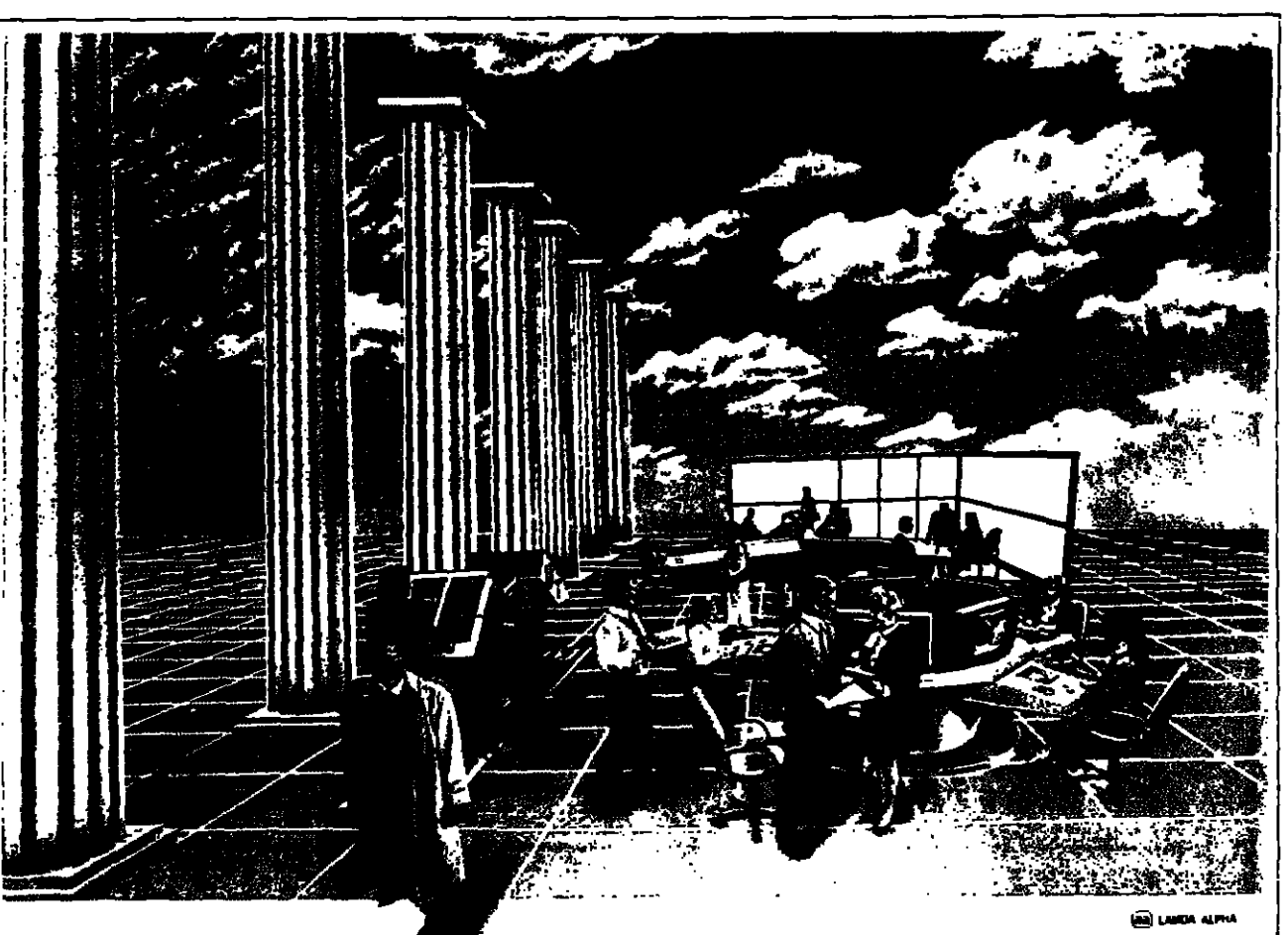
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Once Stormy EC Ties Enter Calmer Era

By Giles Merritt

ATHENS — The pros and cons of belonging to the European Community can have been debated in few member countries with the same fury and passion as in Greece. In the years since Greece joined on Jan. 1, 1981, its relationship with the rest of the community has often been stormy and controversial.

The PASOK socialist government that came to power in October of that year was at first vehemently opposed to EC membership. In opposition, it had threatened to take the country out of the community within a matter of months should it win at the polls. Then, the new prime minister, Andreas Papandreu, promised a referendum to enable the Greek people to decide the question.

That referendum has never been held, and for some years now has been something the government would clearly prefer to be forgotten. PASOK's change of heart reflects the realities of being in government, and also the pressures for staying in that were exerted from within Greece.

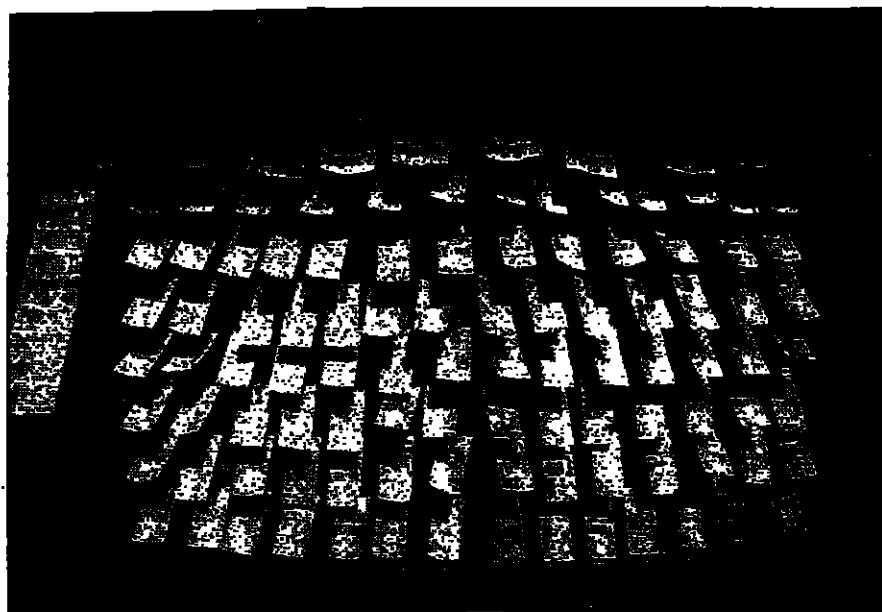
The business and financial community soon made it clear to the new government that to leave the EC would be a backward step that might do great damage to the economic and political fabric of the country. It also became evident that there was considerable popular support among Greeks for the idea of being "in Europe."

The government has nevertheless fought hard to win improved terms from the rest of the EC. It has skillfully played on the fact that it is much easier to negotiate with the EC from within. In December 1984 at an EC summit meeting in Dublin, Mr. Papandreu appealed many Europeans when, in a surprise move, he held the community to ransom. He announced that Greece would single-handedly veto the planned enlargement of the EC to include Spain and Portugal unless Greece received a substantial increase in EC financial assistance.

The shock tactic of holding this political gun to the heads of his fellow leaders worked. Greece today receives an estimated 1.5 billion European Currency Units (\$1.25 billion) a year in various grants and budgetary transfers. And it is to get half of the 4 billion ECUs that is to be spent over the coming seven years on the poorer regions of Spain, Portugal and Greece.

"There are two ways to judge the effects on the Greek economy of being part of the Common Market," says Yannis Papantoniou, secretary of state at Greece's Ministry of the National Economy. "There is the 'static' balance sheet and the 'dynamic' one."

The static calculation, meaning the difference between the net receipts Greece gets from the European Community and the country's soaring imports, is "probably negative" admits Mr. Papantoniou. "But the dynamic effect, measured by the stimulatory nature of EC membership, now points to a positive future."



Lottery tickets on sale in Athens.

He has in mind the cross-border partnerships and joint ventures that stem from being in the EC, and also the stimulus of foreign competition on Greece's previously protected and inefficient industries.

In static terms, it is certainly true to say that foreign competitors from elsewhere in Europe have made heavy inroads into the Greek market. The cost of these rising imports has easily outstripped the financial receipts from the EC that Greece now enjoys. Bank of Greece statistics show that since 1980 import penetration of the market for manufactured goods has gone from about 24 percent to 35 percent, "and this trend should be expected to continue over the

coming years, even though at a slower pace," adds the central bank.

On the dynamic front, two clear advantages have emerged.

In the first place, Greece's exports have begun to show a healthy increase. Between 1985 and 1987 they rose 46.5 percent, and so caught up and overtook imports which grew by 38.5 percent in that period.

The second improvement is the inflow of private capital and new investment spending. Last year, private capital inflows reached \$1.7 billion, up from \$800 million in 1986, and investment in physical assets doubled to \$300 million from \$150 million the year before.

1992 Provokes Fears

ATHENS — While Western Europe is hurrying toward the completion of the European Community's internal market, Greece seems to be languishing on the fringes.

Greece has been a member of the community since Jan. 1, 1981, but still lags far behind the economic development of most of its partners. Closing that gap between now and 1992 appears to be a real long shot. "We weren't prepared for 1981 and we won't be prepared for 1992," said Panayote Dimitras, an Athens-based pollster.

Greek businessmen have been critical of Greece's limited attention so far to the unified market. "The deadline may be 1992," said the spokesman for a large oil company, "but we won't be aware of it until 1993."

Even leading businessmen and politicians are just beginning to see the dangers of not being ready to implement the Single European Act. So far, the prevailing reaction is fear, but little real action.

Stephanos Manos, a leader of the conservative opposition party, remarked: "Going around Greece, I sense a sort of metaphysical fear of 1992. In a farming district, I was told Germans would buy all our productive land and outproduce the Greeks. In Athens, captains of industry are scared their businesses will be taken over."

The Greek economy could very well become "leaner and meaner," as one Greek business leader put it.

The economy is bottom-heavy — most businesses are family-owned and have 10 or fewer employees.

Dimitris Marinopoulos, head of one of Greece's largest pharmaceutical companies,

foresees many companies disappearing, either going out of business under the weight of competition or being bought out by foreign companies.

This has already begun. In May, the giant Nestlé company bought out Pavides Chocolate Factory S.A. of Athens, one of Greece's biggest chocolate producers.

Prime Minister Andreas Papandreu acknowledged that "the restructuring of the Greek economy progressed very little during the initial five-year transitional period of accession." In May, he urged industrialists to "exploit, to the largest possible extent, the grace period before the 1992 community integration." He added, "Made in Greece should become a title of honor for Greek producers."

Mr. Papandreu promised that the government would "seek to prevent a European Community infiltration into the Greek economy before the integration of the internal market." This, he said, will be done through government investment projects and through incentives to improve Greece's relatively poor standards of productivity and quality.

Most commentators, though, say the bulk of investment will come from private initiative. And the big investors are talking tourism. This sector is already Greece's chief foreign exchange earner after direct exports. The Hemsley-Spear group of New York developers, for example, just announced a \$100 million, 2,000-bed tourist complex on Mykonos.

Greece's real role after 1992 may be as the Florida of Europe. The next five years will tell.

Carol Reed

Deficits Persist

Economy Begins Realignment

By Carol Reed

ATHENS — After a two-year program aimed at stabilization, the Greek economy is beginning to realign itself, with most of the major indicators, however, continue to persist, climbing to new highs every month.

After the belt-tightening program, officials will be addressing both deficit problems with supply-side solutions. They predict improvement on nearly all fronts. Private-sector spokesmen agree but think the bureaucrats are moving "at a snail's pace."

The government is trying to tackle the \$6.94 billion trade deficit this year with a big push to lure private investment. It is a move that inspires bemused grins among Greek industrialists who have accused the ruling Socialists in Athens of anti-private investment behavior since they came to power in October 1981. "Reality seems to have caught up with us," one said.

The aim is to create strong export growth to counteract an expected increase in imports and, thus, improve the trade deficit. Record trade deficits hardly seem to preoccupy economic policy-makers. Such deficits "may be disappointing, but not alarming," said Efstratios Papageorgiou, deputy governor of the Bank of Greece.

The deficits are seen as a by-product of the government's decision to concentrate more on reducing inflation.

"There are policy trade-offs," explained a Western analyst. "The government has decided that inflation is the No. 1 target. They can't take vigorous action now toward establishing a [export-enhancing] weaker drachma, because that would hike inflation almost immediately."

The drachma depreciated only 8.1 percent in 1987, slowing considerably from an overall rate of 11.5 percent in 1986.

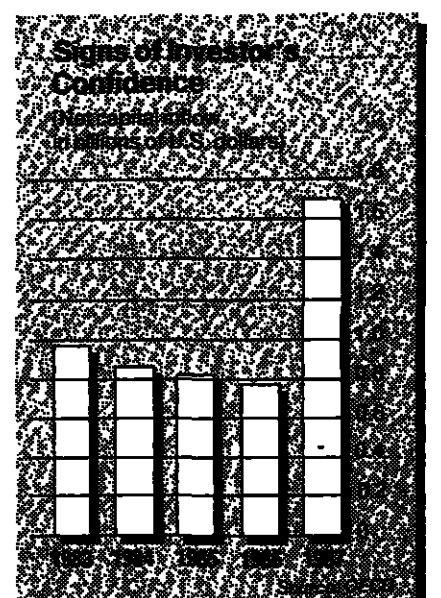
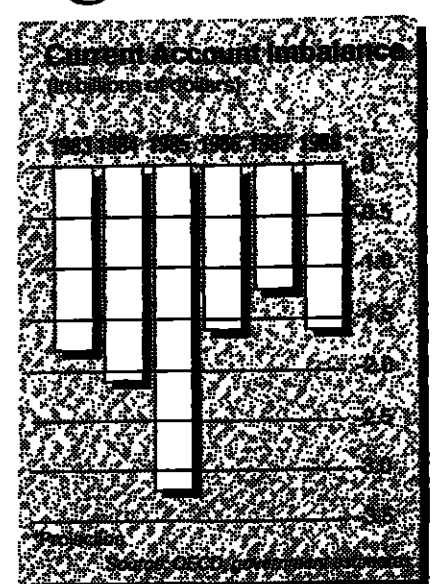
"If we wanted a more substantial industrial base, we should depreciate more, but rapid depreciation is not justified with such a big services sector," Mr. Papageorgiou said.

Services, producing 57 percent of gross national product, are by far the largest sector of the economy, which was built in the 1960s and 1970s on tourism and shipping.

The public deficit, a reflection of the huge state sector's swollen employment rolls and large borrowing requirements, is a hotter issue for a Socialist government. Wholesale dismissals are politically out of the question. So the solution, this year at least, is to increase tax collections in a society where tax evasion is widespread. Greece's extraordinarily large self-employed population has become expert at avoiding taxation. Greeks are even finding ways around value-added tax, introduced in January 1987, although it requires receipts for the first time. However, new personal income tax reforms are expected to increase tax revenues beginning next year.

The government's new expansionary policy is being based on the successes of the 1986-1987 stabilization measures, which centered on cutting major deficits by virtually freezing wage controls, introducing a series of bank liberalization measures and bringing external borrowing down.

The current account deficit, which reached \$3.3 billion in 1985, fell in 1987 to \$1.296



receipts 20 percent to \$1.2 billion. Also important among invisibles were \$1.67 billion transfers from the European Community which since Greece's accession on Jan. 1, 1981 has been contributing millions in agricultural subsidies and regional development and social funds. The EC will also contribute 2 billion ECUs over seven years for private investment in economically depressed areas of Greece under the Integrated Mediterranean Program.

The less encouraging trade figures mirror Greece's relatively small industrial base, which accounts for only 19 percent of GNP, low competitiveness compared to other European products and increased penetration of EC products. While exports increased 24.4 percent, totaling \$5.6 billion, imports grew only 2 percent but totaled more than double the value of exports, or \$12.54 billion.

Stelios Argyros, the new president of the Greek Federation of Industrialists, said the lack of competitiveness is the chief cause of a relatively poor export performance. There is a big need to upgrade productivity — now at 46 percent of the level of Greece's northern European partners — and to improve the shoddy product quality.

"Competitiveness would push up export and wouldn't leave the market open to imports, especially from the EC," Mr. Argyros said.

Inflation, one of the major targets, dropped from an average annual rate of 23 percent in 1986 to 16.4 percent in 1987. Inflation would fall in 1988 to 12 percent, according to EC estimates. But, as one analyst, Panayote Dimitras, said: "This is not enough. Even 8 percent would be high when other European countries have 3-4 percent." Greek inflation persists more than three times the average EC rate.

In parallel, the inflation-fueled public deficit showed some improvement in 1987 as percentage of GDP. The net public sector borrowing requirement fell to 13.5 percent of GDP against 14 percent in 1986 and 17.1 percent in 1985. But in sheer volume, the public-sector deficit doubled from \$957 million in 1986 to \$1.954 billion in 1987. This is mainly due to drops in tax collections, the rise in crude oil prices and increased government transfers to the struggling national Social Insurance Fund.

Exacerbating the public deficit is the cost of about 45 government-subsidized "problematic companies," kept alive to preserve thousands of jobs "at any cost," Mr. Argyros said.

Some of these companies, including the now profitable nickel-maker Larco S.A., may be auctioned but the government "still doesn't really know what to do," Mr. Argyros said.

Investment has become something of a salvation of the economy in the coming years would be "particularly cautious ... without impressive targets as regards employment, production and income." He said economic development would be aimed at accelerating productive investments.

Greek private enterprise, following exceptional profits in 1986 and 1987 and with the expectation of more in 1988, has already started to invest. The private Institute of Economic and Industrial Research estimates that investment by existing private Greek industries will increase in 1988 by about 60 percent.

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ETBA'S DEVELOPMENT PROJECTS

Alumina Plant
Estimated cost: \$ 450 million approximately. The project involves the establishment in Greece of an alumina plant with an annual capacity of 600,000 tons, in cooperation with the Soviet Union.

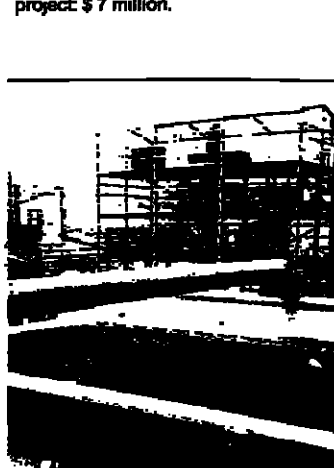


Maritime Industrial Area
(Greece letters: NA.VI.P.E.)
Estimated total cost: \$ 50 million approximately.

Following the competition for tenders in 1986 for the establishment of the first NA.VI.P.E. at Pitygall near Astakos in the District of Akarnania, ETBA proceeded with the immediate realization of this project. Work on the marine infrastructure started in the spring of 1987 when the gradual installation of the private investors is expected to commence at the end of 1988.



Unit for the production of potassium fertilizers
Estimated cost of the first stage of this project: \$ 7 million.



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Dealing With Washington and Ankara

U.S. Ties, About-Face With Turkey Test Papandreou's Ingenuity

By Joanne Omang

WASHINGTON — The United States and Greece are so entangled, the joke goes in Athens, that they are interchangeable: after the next elections the United States will have a Greek president — Michael S. Dukakis, the son of Greek immigrants — and Greece's president will be American.

To American ears, this is a sly dig at Prime Minister Andreas Papandreou's assertive American wife, his background as head of the economics department at the University of California at Berkeley, and at his long delay in fulfilling campaign promises to evict four big U.S. military bases. To the Greeks, however, it is a warning: Mr. Papandreou cannot look pro-American if he wants to avoid being ousted from his powerful job and kicked upstairs to the largely ceremonial presidency.

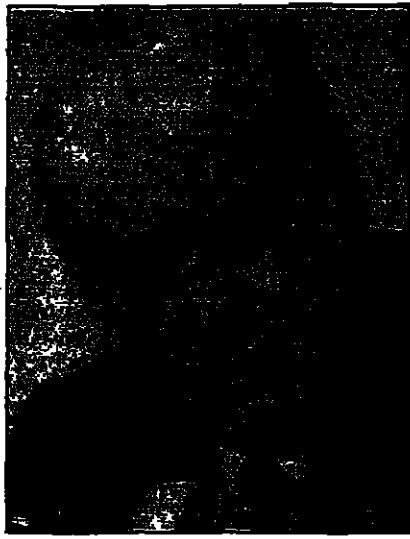
Greek-American relations have never been simple. Mr. Papandreou was elected with strong backing from the left, in large part because he vowed to leave the North Atlantic Treaty Organization and to shut down the U.S. bases. But he has instead strengthened NATO ties and, in 1983, he extended the pact that keeps the bases operating for five years.

He brought Athens audiences to frenzies of anti-Turkish feeling with his saber-rattling speeches against Ankara, and his claim to heavy U.S. aid hinges on that adversarial relationship. But he has stanned his own bureaucrats and opened the entire structure of Greek foreign policy by opening direct talks with Prime Minister Turgut Ozal of Turkey.

"Things are moving fast, but it's hard to tell which direction," one Greek diplomat said recently. In Greece, ambiguity is just another classic art.

That makes things hard for U.S. diplomats, who say they want simply to end Greek-Turkish antagonism to strengthen NATO, of which both are members. Yet the perceived threat from Turkey is Mr. Papandreou's main argument for keeping the U.S. bases before his leftist critics.

Mr. Papandreou gears up for elections in June 1989, his credibility is under fire from the anti-American left and from the broad anti-



Prime Minister Papandreou

Turkish majority. So he is widely expected to announce in July that the base agreement is "terminated" as of Dec. 31, as the Greek text of the pact allows him to do. The implication will be that all U.S. military personnel must depart over the next 17 months.

The Americans, however, using the equally official English text, are expected to regard the treaty as "irrevocable" on Dec. 31. The bottom line: talks will continue — over pollutant terms, from the perspective of Mr. Papandreou's reelection campaign, and over renewal terms, from the U.S. viewpoint. No one expects a resolution until well past the June vote.

Serious issues are at stake on both sides. With 6-percent unemployment, 16-percent inflation and a slightly negative growth rate last year, Greece does not want to alienate American money. That means the \$344 million in grants it received from Congress last year, the \$50 million that the bases' 3,500 Americans and dependents pump annually into the local economy, and the huge U.S. chunk of the \$1.8 billion Greece took in from tourists in 1987. A

base agreement also would signal that Greece is a stable place for new investment, an image that Mr. Papandreou badly wants to project.

To the Americans, the four bases are a multibillion dollar investment, and two are crucial to U.S. strategic planning: Souda, on Crete, which can shelter the entire Sixth Fleet, and Nea Makri at Marathon, a pivotal submarine communications setup. Moving them even to nearby Pentagon would be staggeringly expensive — and, Defense Department officials say, they would lose some effectiveness.

The energetic Greek-American community is another factor. Over State Department opposition it has pummeled Congress into providing \$7 in aid to Greece for every \$10 that goes to Turkey, a ratio that greatly favors Greece's much smaller economy. As tensions lessen with Turkey, that proportion will be harder to justify.

But the Greek left says the aid is not worth the risk of being subjected to capricious U.S. politics. When the State Department warned U.S. vacationers away from Athens Airport in 1985 after two terrorist incidents originated there, Greece lost an estimated \$700 million in tourist income, and diplomats estimate that "hundreds" of business deals were lost.

Now the airport is regarded as one of the most secure in Europe, but the Greek government remains bitter over the incident — and nervous. Will U.S. negotiators play "the terrorism card" to threaten Greece into renewing the base agreement?

"Greece still refuses to point the finger" at nations that Washington says are proven sources of terrorism, one State Department official said, "but nobody is calculating that" as a factor in the bases talks.

The negotiating teams held their sixth round of talks in Washington last month, and the Greek government reported that "there was no coincidence of views but there does not seem to be an impasse." With the seventh round set for the end of June in Athens, the entangled relationship shows no signs of becoming simple any time soon.

JOANNE OMANG is on the staff of The Washington Post.



The U.S. military base at Nea Makri.

Capitalizing on the 'Davos Spirit'

Continued from page 9

any meticulous preparation. My guess is there was none.

As a result, he said, "The Turks have gained too much ground. . . . Things are bound to go sour that way. Whoever follows PASOK will not stick to those things."

In one of the most pointed criticisms to date, former Prime Minister George Rallis said that in the letters exchanged before Davos, Mr. Papandreou had acceded to a Turkish demand not to drill outside Greece's territorial waters in return for a similar Turkish pledge.

The 1987 crisis stemmed from an Athens-based oil consortium's plan to drill outside the six-mile limit off the island of Thassos.

The consortium is already drilling Greece's only commercial oilfield at Frinos. Turkey disputed Greece's right to drill because the two countries had not yet agreed on how to divide the continental shelf. Mr. Manos, who was energy minister in the previous government, called Mr. Papandreou's assurance to Mr. Ozal "unsustainable and ridiculous."

Mr. Manos believes that if the consortium had been allowed to drill Turkey would not have reacted. "There was a good chance of getting 20 percent of our annual petroleum needs east of Thassos," he said.

Over months of working for rapprochement, Greek and Turkish negotiators say they have made progress, but primarily in terms of establishing a framework for what both sides hope will eventually be great strides in political and economic relations. Business cooperation has turned out to be the engine driving govern-

ment-level political and economic relations. That, according to Turkey's foreign minister, Mesut Yilmaz, is precisely what the two prime ministers intended.

The two business communities had tried over the years to step up cooperation, but such attempts were not popular. A bilateral meeting in Athens three years ago, for example, moved Greek journalists to decry "war investments" from Turkey.

But the good will of Davos created an opportunity that businessmen did not allow to get away. Theodore Papalexopoulos, since named head of a private Greek council for business cooperation with Turkey, walked up with a Turkish colleague to the two prime ministers at Davos and said: "You have unlocked the door, we business people will go through."

But business's initial gallop slowed to a walk as executives began complaining about bureaucratic barriers and "a grave lack of information." The Greeks became more cautious and worried that the Turks would try to take away markets, particularly in competing fields such as tourism, textiles and agricultural produce.

Soon afterward, Greece agreed to sign a protocol making it party to Turkey's 1964 association agreement with the European Community.

Greece had long said that, because of Turkey's occupation of northern Cyprus, it remained opposed to Turkey's efforts to improve ties with the EC, most important of which was Turkey's application last year for full membership. Following the Davos thaw, Greece loosened up a little, but still refused to sign a fourth financial protocol under the association agree-

ment releasing 600 million European Currency Units (\$500 million) to Turkey until Ankara removes its troops and settlers from Cyprus.

The Greek position on Cyprus became more strident in May, so much so that many observers feared that the "spirit of Davos" was in jeopardy. Greece insisted that progress on the Cyprus problem and improvement in Turkey's human rights record be linked to Turkey's application for full membership.

Mr. Yilmaz said Turkey's policies could not be "mortgaged" to the EC bid. Mr. Ozal quickly smoothed things over by confirming that he would, indeed, visit Athens.

Political and economic committees, established by the two prime ministers at Davos to work out solutions to specific problems, met in late May. Foreign Minister Karolos Papoulias called the results of the political committee "satisfactory for both sides," even though it took a day simply to agree on an agenda.

The political side agreed on a range of issues from air rights over the Aegean to NATO infrastructure projects in both countries. The economic side agreed to establish a new institutional and legal framework for increased cooperation in areas such as trade, construction, energy, tourism.

The records appear to have set a positive tone for Mr. Ozal's visit. The outcome of talks so far, said Mr. Papoulias, "indicate many encouraging steps have been taken in the right direction."

CAROL REED is a journalist based in Athens.

Saga of U.S. Bases Epitomizes Strains

ATHENS — The saga of the four U.S. military bases in Greece neatly encapsulates the stresses and strains of the Greek-American relationship. It would not be to Greece's advantage if the bases were abandoned and a security vacuum created in the Eastern Mediterranean, but the opportunity to tease and taunt Washington seems one that Athens cannot resist.

"The main problem is that we believe the bases should also serve Greece's national interest," says a senior Greek government official of the negotiations now taking place over the future of the bases. But so far the Greeks have not stipulated the conditions they think might ensure that their national interests are best served.

Greece's Socialist government is playing a cat-and-mouse game over the bases. It has

steadfastly refused to spell out its terms, and is thus trying to place the United States government in the position where it must propose new conditions that may or may not prove acceptable. Greek ministers make it plain that U.S. support for Greece's position in its intractable territorial disputes with Turkey, and, of course, over the Cyprus question, is above all what Athens still hopes to gain.

The Greek government's objections to the bases are clear-cut, even though they do not add up to a sound argument for expelling U.S. forces from this crucially important but unstable corner of the Mediterranean. In the first place, say the Greek authorities, the bases are purely American and have no NATO role.

Secondly, although U.S. forces have been permitted on Greek soil since the early 1950s, the current agreement is now almost at an end.

The five-year pact negotiated in 1983 has no renewal provision, say the Greeks, and the United States should therefore prepare to withdraw its personnel.

Just what conditions Washington must agree to in order to secure the agreement's renewal remains to be seen. The one solution that does appear to be ruled out, however, is that the bases should become part of the NATO command structure.

The suspicion must be that one of Greece's reasons for spinning out the negotiations inconclusively is political. Prime Minister Andreas Papandreou may hope to secure his support among critics on the left wing of his party who have been annoyed by his economic austerity measures and his government's perceived betrayal of socialist principles.

Giles Merritt

METAXA advertisement featuring a bottle of brandy and a glass. Text includes 'WORLD'S No. 1 BRANDY IN DUTY FREE' and 'EPIROTIKI CRUISES'.

EPIROTIKI CRUISES advertisement. Text includes 'THREE GLORIOUS CIVILISATIONS, SEVEN SEAS, TWENTY-TWO HISTORICAL PORTS, FORTY-SEVEN FASCINATING ISLANDS AND A MILLION JOYS OF LIFE'. Features a map of the Aegean region and contact information for EPIROTIKI LINES.

Vertical text on the far left edge of the page, including 'Fears', 'ent', and 'k Exchange bull trail'.

Archaeology

Greece Persists to Call on U.K. For the Return of Elgin Marbles

By Barry James

PARIS — At the time, some saw it as a kind of divine retribution that after he had stripped the marble carvings from the Parthenon, Lord Elgin lost his nose.

"Noseless himself," wrote Lord Byron in reference to Lord Elgin's disfigurement. "he brings here noseless blocks, to show what time has done and what the pox."

Thomas Bruce, the seventh Earl of Elgin, was the British ambassador at Constantinople between 1799 and 1803. There, he used his influence to obtain a *firman*, an official document ordering Turkish officials in Athens not to hinder his workers "from taking away any pieces of stones with inscriptions or figures."

By the time they had finished, Lord Elgin's men had removed nearly half the original 524 feet (156 meters) of the Parthenon frieze, 14 of the 92 metopes on the entablature, and 17 of the monumental figures on the pediments.

Lord Elgin argued that rival French treasure seekers, *time burners* and *curio hunters* would have taken the marbles had he not. He also said that the building, which had already been damaged by iconoclasts and the explosion of a gunpowder store, risked being destroyed by Turkish occupiers, who had built a mosque in the lee of its remaining columns.

Lord Elgin's artistic adviser, a Neapolitan painter named Giovanni Battista Lusieri, acquired a number of other important pieces from the Acropolis, including one of the four Caryatids and a column from the Erechtheum and four slabs of the frieze of the Temple of Victory.

The removal of the statuary was seen as a hateful action by the subjugated Greeks and was widely questioned at the time in England. The despoliation, said Byron in *Childe Harold's Pilgrimage*, had taken away "what Goth, and Turk and Time hath spared" and had dishonored Britain by removing "the last poor plunder from a bleeding land."

Lord Elgin himself was impoverished by the expense of acquiring, shipping and storing the marbles, and after a parliamentary debate in which the propriety of his action was questioned, he was allowed to sell them to the nation in 1816 for £35,000. Lord Elgin claimed he had suffered a huge loss.

The sculptures were immediately transferred to the British Museum, where they still remain and where, says Melina Mercouri, the Greek minister of culture, "they do not belong."

The Greek government's demand for the return of the marbles has fallen on deaf ears in the present Conservative government in Britain. And the British Museum will not hear of handing back its most important treasure. Its trustees say that to do so would "establish a precedent for the piecemeal dismemberment of collections which recognize no arbitrary boundaries of time and place."

Besides, museum officials ask, echoing the earl himself, would the marbles have survived at all had Lord Elgin left them in Athens? But as in the early 19th century, some people



Photograph/The British Museum

Pantheon friezes brought to England by Lord Elgin (above right, in a drawing in the British Museum); above, horsemen of the west frieze; right, sacrificial victim in the south frieze.



in Britain continue to believe that the marbles belong in Greece. A committee has been formed for the restitution of the sculptures.

And Miss Mercouri has several allies among the opposition Labor Party, including the party leader, Neil Kinnock. On a visit to Athens several years ago, Mr. Kinnock pledged that if he became prime minister his government would legislate to return the marbles. The Parthenon without them, he said, is like a smile without teeth.

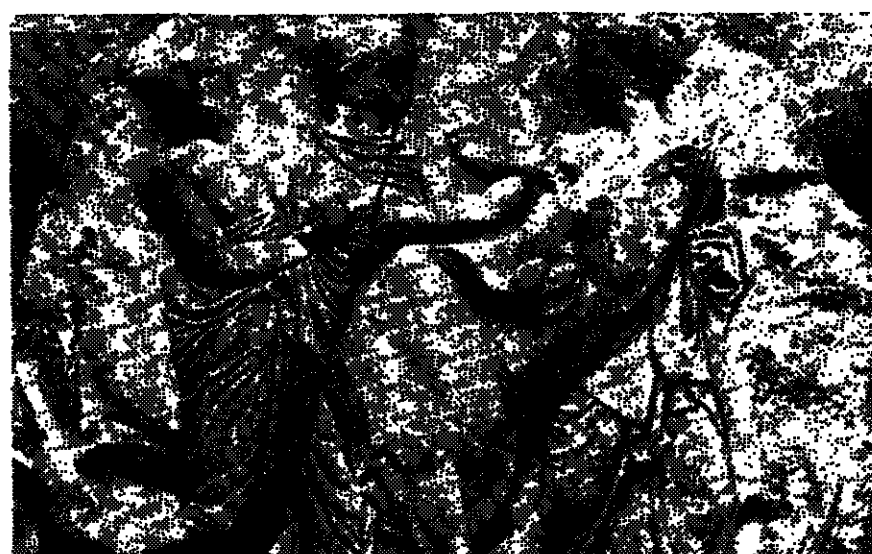
This was artistic license since there is no thought of putting the sculptures back on the Parthenon. They would rapidly deteriorate in the corrosive pollution of Athens.

Like other works of sculpture, the remaining three Caryatids holding up the portico of the Erechtheum had to be removed several years ago and replaced with copies because of atmospheric damage. The statues are now displayed along with other works of art from the Acropolis in a small museum behind the Parthenon.

To house these treasures better and to relieve overcrowding, the government plans to build a museum at the foot of the Acropolis on the site of an old gendarmierie barracks.

As part of an effort to raise the \$20 million cost of the building, Miss Mercouri's ministry is organizing a gala concert called "The Stars Shine for the Acropolis." The concert, featuring dancers from the New York City Ballet, the American Ballet Theater and the Paris Opera accompanied by the Royal Philharmonic Orchestra of London, will be held on Aug. 3, in the 6,000-seat amphitheater of Herod Atticus on the slopes of the Acropolis.

Miss Mercouri dismisses the arguments for keeping the marbles in London. She promises



they would be as well preserved in the new Acropolis museum as in the British Museum. And she says that Greece is not trying to set a precedent for the return of works of art but to recover an intimate part of its heritage.

"We don't want to take back all the treasures we have in all the museums," she once told this reporter. "We want back this unique example of European civilization, which was torn down and destroyed with horror and without dignity. For this monument, people died in Greece."

The Parthenon, whose massive doric trunks still dominate modern Athens, is the most spectacular result of a building spurge 2,400 years ago under the rule of Pericles. The Athenians appropriated a Greek fund raised to fight the Persians and, according to Thucydides (the general, not the historian), set out to "wantonly lavish" wealth on their city, "to gild her all over, and to adorn and set her forth as if she were some vain woman, hung around with precious stones and statues and temples."

The return of the marbles is a subject "that

will be high on the agenda for an incoming Labor government," according to Mark Fisher, the opposition party's spokesman on culture.

Mr. Fisher said in a telephone interview that the British Museum has looked after the marbles well and displayed them well, "but this subject goes far beyond the amour propre of any one museum. This is a major international cultural issue and ought to be tackled on that level."

No matter how long it takes, however, Miss Mercouri says she is as confident the Parthenon marbles will one day return to Greece as she was once confident the Colonels' junta would be overthrown — so confident, in fact, that a room in the new Acropolis museum will be left empty to receive them.

BARRY JAMES is on the staff of the International Herald Tribune.

Seeking a New Role

Continued from page 9

membership are quite forgotten. In their place is the enthusiasm of the converted.

When Prime Minister Andreas Papandreu's Pan-Hellenic Socialist Movement, or PASOK, came to power in October 1981, just 10 months after the country joined the EC, the new government promised that both EC and NATO membership would be submitted to a popular referendum. On the international stage and at home, Mr. Papandreu made it abundantly clear that the values of the EC and NATO. Since then Greeks have themselves made plain their support for community membership and PASOK has quietly buried any misgivings it had about the EC or NATO.

The threat of withdrawal from NATO was in any case never very credible, for that would leave neighboring Turkey inside the alliance and, if anything, strengthened Greece's ceaseless preoccupation with its dispute with Turkey over the Cyprus question and various territorial squabbles, and that strongly colors Athens' attitude to last year's Turkish application for its 25-year association accord with the EC to be upgraded to full membership.

But Greece has not made the mistake of openly opposing the Turkish bid to join the community. Mr. Papandreu clarified his position on May 20 when he said Greece would support Turkey's application if a satisfactory solution were found to the Cyprus problem.

By that he meant the withdrawal of all the Turkish troops there.

It is, meanwhile, anyone's guess whether the Greek-Turkish rapprochement that followed the personal breakthrough achieved early this year in Davos, Switzerland, by Mr. Papandreu and his Turkish counterpart, Turgut Ozal, will be durable.

"There definitely is a political process under way," is the cautious comment of Yannis Kapsis, alternate minister for foreign affairs, "but it is to be neither under or overestimated." In any case, the Turkish-Greek relationship has, despite the on-off quality of the "Spirit of Davos," definitely improved since the moment in spring 1987 when both countries' navies found themselves on the brink of armed conflict.

Greece is much less prickly than in the early years of the socialist government. It no longer appears so determined to embarrass its fellow Europeans. The days are now long past when Greece seemed to use its EC membership chiefly to register its dissent from prevailing Western European opinions on foreign policy issues.

On a variety of cases relating to Arab terrorism, martial law in Poland, the Soviet downing of the Korean Airlines' Flight KAL 007, Greece appeared to delight in being the odd man out and refusing to join in the general condemnation. Among its European partners the useful joke was that the EC had married Constantine Caramanlis, the then leader of the conservative New Democracy Party, but woke up in bed alongside Mr. Papandreu.

"Greeks used to think their national prerogatives would be jeopardized by Community membership," explains Theodore Pangalos, the deputy foreign minister. "But now they can

see they are in fact strengthened." Thus, when it comes to European integration, the whole mood of the government has swung sharply around. In many countries such a shift might be seen as a politically embarrassing U-turn.

But, perhaps because Greece is such a highly politicized society where politics is the national sport, the change seems to be widely accepted as part of an evolutionary process in which a government moves from ideological dogmatism to a more mature pragmatism.

The PASOK government's EC presidency looks set to be a milestone in the Europeanization of Greece. It has prepared an "Action Plan" that skillfully combines its own commitment to greater emphasis of Mediterranean issues with the foreign trade and internal market priorities of its larger EC partners. It is particularly keen to reinvigorate the Mediterranean Working Party, which lapsed some seven years ago to formulate EC policy positions on geopolitical questions and on such matters as pollution control.

The Greek program also reflects the fact that, for all its shifts, Mr. Papandreu's government remains determinedly socialist. It lays heavy emphasis on increasing economic cooperation with Eastern Europe and the Soviet Union, and also will press, Mr. Pangalos said, for "some kind of political cooperation" between the EC and the Soviet Union. Another major element is to give a "social character" to the EC's drive to create a genuinely single internal market by 1992.

Greece's greater enthusiasm for Europe also reflects an appreciation of the financial benefits that go with EC membership. Thanks to Mr. Papandreu's dogged tactics — he threatened to block Spain and Portugal from joining in 1986 unless he got his way — Greece now receives around \$1.5 billion a year in various transfers from Brussels.

Vassilis Kontoyiannopoulos, a spokesman for the New Democracy Party, charged that Greece would be bankrupt were it not for EC funds.

The Greek economy in fact looks rather healthier than before, thanks to a two-year austerity program.

Inflation is now down to 13 percent from 25 percent in 1985, and the balance of payments deficit has improved significantly. Although the trade deficit widened by 22 percent to almost \$7 billion, invisible receipts from tourism and inward investment soared. The current account deficit for 1987 was down to \$13 billion from \$3.3 billion at the start of the austerity measures in 1985, so instead of running at 10 percent of gross domestic product it was down to 2.5 percent of GDP.

For all its economic tribulations, PASOK may yet win a third four-year term at the mid-1989 general elections. In June 1985 it won 46 percent of the vote, down only 2 points from the vote that originally brought it to power. The New Democracy Party's internal rifts are sapping its support, and opinion polls suggest that PASOK could be returned once more.

The Papandreu government today has an established feel to it. It has come a long way from its doctrinaire beginnings.

GILES MERRITT is a journalist based in Brussels.

THE GREEK FORCE



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Herald Tribune

BUSINESS/FINANCE

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INTERNATIONAL STOCK MARKETS

Osaka Challenge to Tokyo May Be an Uneven Struggle

TOKYO—Officials of the Osaka Stock Exchange express hope that its relatively low membership costs will lure brokers eager to get into Japanese stocks and stock index futures through the back door. But the exchange's plans, which will not even require some members to open offices in Osaka, are unlikely to challenge the dominance of the Tokyo Stock Exchange, brokers say.

Full membership is not cheap at 450 million yen (\$3.56 million), but looks like a bargain beside the 1.1 billion yen it costs to join the Tokyo exchange. Osaka's exchange is the world's fourth largest bourse in terms of the value of daily turnover after Tokyo, New York and London, and trades most of the Tokyo exchange's first section stocks.

Osaka wants to expand membership from 82, and is considering doing so when trading in stock futures based on Tokyo's Nikkei index starts in July, exchange officials said.

If it does, it will put few limits on numbers, one official said. "Like Tokyo, we have hit new highs and we think this is a good opportunity," he added.

The 250 Adjusted Stock Price Average, the exchange's equivalent of Tokyo's Nikkei index, hit a record 27,741.93 on May 18. Osaka's market capitalization is about 350 million yen, compared with Tokyo's 407 trillion.

Of the 805 shares listed on its first section, 754 are also traded in Tokyo, which has 1,108 in its first section. It also shares 62 of its 257 second section stocks with Tokyo, which has 443.

The Osaka Stock Futures 50 is the world's second largest stock index futures contract market in value terms, just behind the Standard and Poor's 500 contract in Chicago.

Members without an Osaka office will be allowed to trade only stock index futures, but once an Osaka office is established, they may trade all exchange stocks, the official said.

CURRENTLY, the only foreigners on the exchange are Salomon Brothers (Asia) Ltd. and Morgan Stanley Japan Ltd., both of which also have seats on the Tokyo exchange.

That compares with 22 foreigners among the 114 members of Tokyo's exchange.

However, despite the exchange's door-opening efforts, it may not quite meet the needs of brokerages the way Tokyo can, brokers said. Tokyo, according to an Osaka exchange official, is considering a special membership allowing trading of both stock and bond futures, similar to the one available now for Tokyo's yen bond futures market. Brokers said such a move could further take the shine off the attractions of an Osaka membership.

Craig Chudler, a strategist with Smith New Court's Tokyo branch, said Tokyo "is so much more liquid and Osaka is a low-traded exchange" in comparison with Tokyo. "There are some shares traded only in Osaka, but that is only some."

More brokerages trade through the Tokyo, making it an easier market in which to deal. Mr. Chudler of Smith New Court added, "There is a prestige price tag on a Tokyo Stock Exchange membership. This is not exactly the case with Osaka."

Osaka was Japan's pioneer stock index futures market, but some brokers say futures trade will swing to Tokyo in time.

Most expect that while Osaka will probably attract more members, it will never fill Tokyo's shoes.

"It's a very large market, and I would not rule out becoming a member of the exchange," said Michael Connors, general manager of Berlayds de Zoete Wedd Securities (Japan) Ltd. "But we would not regard it as an alternative."

U.K. Sets New Rise In Rates

Weaker Currency Permits Increase

LONDON—The British government took advantage of recent weakness in the pound to push interest rates higher for the second time in five days on Monday, a move economists said was meant to fight inflation.

Currency dealers said the timing of the decision by the Bank of England to raise its money market lending rate to 8.5 percent from 8 percent was a surprise because the pound had stabilized earlier in the day.

"It was going to happen sooner or later, and it happened sooner," one dealer said.

Commercial banks followed the central bank's move by raising their base lending rates, the rate from which all other U.K. interest rates are scaled upward, to 8.5 percent.

The increases came after similar moves in the U.S. and West Germany.

The dollar fell against most currencies Thursday, when the central bank raised its money market rate to 8 percent from 7.5 percent and the commercial banks followed with identical boosts of their base rates.

Financial markets showed little reaction. Stocks rose, with the Financial Times 100-share index gaining 13.5 points to close at 1,832.7. Dealers had predicted the index rate increase. "We were all waiting for this," one said.

The British pound ended mixed. Dealers said the higher rates cushioned the pound against devaluation but did not significantly boost its value.

Sterling closed in London at 3,098 Deutsche marks, down from 3,104 on Friday, and at \$1,807, up from \$1,794.

Economists said the latest rate rise was designed to slightly tighten monetary conditions in a bid to fight inflation.

"The main objective is to raise interest rates to restrict the growth of lending and credit in the economy," said Gerald Holtham, economist at Credit Suisse/First Boston.

"The background of weaker sterling allows them to concentrate on the domestic problems," he said.

David Owen, an analyst at the Kleinwort Grieson Securities Ltd. brokerage house, said, "They'd like to see base rates up at least to 9 percent by year end, and possibly higher."

An announcement early in the day that British retail sales were at record levels in April, with annual growth at a 5 percent rate, underscored the continuing consumer boom.

Prior to last Thursday, the government had driven interest rates to a 10-year low. It had been seeking to make pound-denominated assets less attractive to international investors, thus braking a rise in the currency's value that was threatening British exporters.



Tamela Betz prepares heating unit coils at the Nippondenso factory in Battle Creek, Michigan.

Auto Parts: A Whole New Conflict

U.S. Suppliers Are Alarmed by Japanese Ascendancy

By Warren Brown
Washington Post Service

DETROIT—With the same stunning rapidity that accompanied the Japanese invasion of the American auto market—the mass imports of cars and trucks, followed by a wave of plants built in the United States—they are capturing yet another segment: the lucrative parts business.

About 150 Japanese companies now are making auto components in the United States, nearly triple the number in January 1984. By 1990, many industry analysts and officials believe, about 300 Japanese companies will be turning out engine and cooling components, tires and other equipment in such states as Michigan, Indiana, Illinois, Kentucky and Tennessee.

Those parts will be in addition to the myriad components that for the foreseeable future will continue to be shipped in from Japan. And that means even greater pressure for domestic auto-parts suppliers, squeezed out of the Japanese market overseas and pressed by increasingly

cost- and quality-conscious U.S. automakers at home.

"Clearly, what you have here is a shifting of automotive capacity from Japan to North America," said Christopher Bates, director of policy analysis for the New Jersey-based Motor and Equipment Manufacturers Association. "This is a dangerous trend," he added, particularly for domestic parts suppliers being set upon from both sides.

MEMA represents nearly 800 U.S. parts manufacturers, most of them privately owned.

For many of the Japanese parts makers coming to the United States, the immediate goal is to supply Mazda Motor Corp., Toyota Motor Corp., Nissan Motor Co., Honda Motor Co. and other Japanese companies that, separately and in joint ventures with U.S. automakers, will have the capacity by 1990 to produce nearly two million cars and trucks annually in the United States.

Beyond that, the transplanted parts makers will seek the biggest piece possible of the \$200 billion U.S. auto-parts business.

Indeed, parts ring up bigger sales than do the vehicles themselves, which in 1987 was \$175.2 billion for the U.S. market, according to figures compiled by the Motor Vehicle Manufacturers Association of the United States Inc.

Parts come in two basic categories: those made for original-equipment manufacturers, known in industry parlance as OEM parts, and those made for the so-called aftermarket. The second group includes replacement parts and equipment added after the car is purchased.

In dollar terms, the biggest sales are in the aftermarket, valued at about \$130 billion by analysts at the Automotive Parts and Accessories Association in Lanham, Maryland. These analysts put an estimated \$70 billion tag on the OEM market, where suppliers are under tremendous pressure from automakers to hold down prices.

The Japanese parts suppliers, while not alone in their trek to the United States, are the most visible because of the success there of Japanese automakers. And while changing the way all automakers and their suppliers

requires approval by West Germany's anti-trust agency, and will take effect five days later.

The Texaco activities will be combined with RWE's existing oil operations in a new division to be called RWE Mineralöl and Chemie Betaliegungs GmbH.

Talks are also being held with Statoil, Norway's state-owned oil company, about a Statoil stake in the RWE Mineralöl.

Deutsche Texaco is a fully integrated oil company whose activities include refining, transport, wholesaling and retailing of crude oil and petroleum products, as well as petrochemical and service divisions.

The company operates a network of 1,900 service stations in West Germany under the Texaco name and owns two refineries, as well as a part of a third.

In 1987, Deutsche Texaco AG posted net profit of 67.5 million Deutsche marks (\$39 million) on sales of 7.6 billion DM, compared with net profit of 136.5 million DM on sales of 7.8 billion DM the previous year.

Texaco established Deutsche Texaco AG in 1966.

In Essen, the headquarters of RWE, Reuters reported that Texaco had been reluctant to sell its West German subsidiary. Friedrich Gieske, management board chairman of RWE, said an official of Texaco Europe, whom he did not name, had told him that selling Deutsche Texaco was a "damned difficult business" and that it was

the "worst deal he had been forced to do."

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Thrift Closings In U.S. a Record \$1.35 Billion

WASHINGTON—U.S. regulators announced on Monday that they had closed two California savings institutions and would pay \$1.35 billion to insured depositors, the largest such payment ever.

The Federal Home Loan Bank Board said the two savings institutions, North American Savings & Loan Association and American Diversified Savings Bank, had been paying some of the highest interest rates in the United States to attract deposits.

The bank board, which regulates more than 3,100 U.S. savings institutions, said it viewed the California action as the opening of a second front in an offensive against the high cost of funds that it began last month. The first front is in the Southwest, which has the largest U.S. concentration of ailing thrift institutions.

Troubled institutions often pay high rates of interest to attract deposits, which tends to push up interest rates for their regional competitors.

At the time of its closing, North American was paying an average deposit rate of 8.53 percent, compared with a national average of 7.08 percent. American Diversified was paying 8.64 percent.

The two institutions, which shared headquarters in Costa Mesa, California, had been operating under a federal program that tried to save them from insolvency.

The bank board said insured depositors would begin receiving their funds as early as Tuesday morning.

The bank board said its Federal Savings and Loan Insurance Corp. expected to pay about \$1.14 billion to depositors at American Diversified and \$209 million to those at North American.

After recovering part of its initial expense from the proceeds of asset liquidations, the FSILC estimated the cost of the combined transaction would be \$931 million.

Depositors with funds above the federal insurance limit of \$100,000 per account are to share in the liquidation proceeds. Regulators said such deposits accounted for only about one-half of 1 percent of the total.

The largest previous payout was \$300 million in 1984 to close Empire Savings & Loan Association of Mesquite, Texas. But bank board officials said they expected the cost of several previous bailouts eventually to be higher than the cost of closing the two thrifts in Costa Mesa.

Last month, the bank board said it was paying \$2 billion in assistance, none of it in cash, to Southwest Savings Association in Dallas to take over four ailing institutions. In November, it announced a \$1.3 billion bailout of Vernon Savings & Loan Association in Dallas, \$200 million of it in cash. The other assistance came in the form of notes and guarantees.

M. Danny Wall, chairman of the bank board, said the agency prefers to pay healthy institutions to take over insolvent thrifts because that method is cheaper for the insurance fund than paying off depositors.

But in this case, he said, the two thrifts had little value because they lacked retail deposits and branch offices. Instead, they relied on high-cost, short-term deposits arranged through brokers.

North American, chartered as a state stock association in 1983, aggressively solicited depositors in high-yielding certificates of deposit. The proceeds of those CDs were invested in risky real estate ventures, the agency said.

The association violated numerous regulations, including those pertaining to conflict of interest rules and limits on loans to specific borrowers, the agency said.

American Diversified, which opened in 1980, became highly aggressive in acquiring business after changing ownership in mid-1983 and adopting "an explosive growth strategy," the bank board said.

Its assets ballooned from \$11 million in mid-1983 to \$792 million at the end of 1984.

The bank board cited investments in "high-risk real estate and technology assets" as a cause of its problems. (Reuters, AP)

Texaco Sells West German Subsidiary to RWE

By Ferdinand Protzman
International Herald Tribune

FRANKFURT—RWE AG, West Germany's largest electrical utility, said Monday that it had purchased the West German subsidiary of Texaco Inc. for \$1.225 billion.

The sale is the first major step in the beleaguered U.S. oil company's \$5 billion restructuring plan, and the proceeds are likely to be used in an attempt to thwart a hostile takeover bid by the corporate raider Carl C. Icahn.

RWE has agreed to acquire a 99.2 percent share in Deutsche Texaco, the statement said. Payment of about \$1.1 billion will be made immediately and the remaining \$125 million will come through repayment of a loan. The accord

requires approval by West Germany's anti-trust agency, and will take effect five days later.

The Texaco activities will be combined with RWE's existing oil operations in a new division to be called RWE Mineralöl and Chemie Betaliegungs GmbH.

Talks are also being held with Statoil, Norway's state-owned oil company, about a Statoil stake in the RWE Mineralöl.

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Currency Rates

Cross Rates	June 6
American \$	1.0000
British £	1.9363
French F	6.5596
German M	3.3757
Italian L	2036.27
Japanese ¥	163.26
Swiss S	2.0048
Spanish P	166.37
Portuguese Esc	200.48
Belgian B	36.363
Dutch G	2.3364
Australian A	1.4936
New Zealand N	1.3527
Canadian C	0.7456
Chinese Y	150.48
Indian Rupee	47.616
Thai Baht	50.341
Philippine P	49.686
South African R	127.526
Israeli S	3.4836
Israeli N	3.4836
Israeli P	3.4836
Israeli Q	3.4836
Israeli R	3.4836
Israeli S	3.4836
Israeli T	3.4836
Israeli U	3.4836
Israeli V	3.4836
Israeli W	3.4836
Israeli X	3.4836
Israeli Y	3.4836
Israeli Z	3.4836

Source: Reuters, Bank of Tokyo, IMF (SDR), BAI (Belgium, France, Germany), Goshank (Ghana), Other rates from Reuters and AP.

Other Dollar Values

Currency	Par \$	Current	Par \$	Current	Par \$	Current
Arab. Saudi	2.2500	1.9363	1.9363	1.9363	1.9363	1.9363
Argentine	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500
Austrian	13.7603	13.7603	13.7603	13.7603	13.7603	13.7603
Bahama	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Bangladesh	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Belize	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Bolivia	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Brazil	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Bulgaria	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Canada	0.7456	0.7456	0.7456	0.7456	0.7456	0.7456
Chad	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
China	150.48	150.48	150.48	150.48	150.48	150.48
Colombia	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Cuba	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Czech	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Denmark	6.4603	6.4603	6.4603	6.4603	6.4603	6.4603
Dominican	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Ecuador	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
El Salvador	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Equatorial Guinea	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Ethiopia	1.0000	1.0000</				

Monday's NYSE Closing

Tables include the nationwide price up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High Low Stock Div. Yld. PE St. 100 High Low Close Open Chg.

Table of NYSE stock prices including columns for 12 Month High, Low, Stock, Div., Yld., PE, St. 100 High, Low, Close, Open, Chg.

(Continued)

Continuation of NYSE stock price table.

(Continued)

Continuation of NYSE stock price table.

Table of international stock prices with columns for 12 Month High, Low, Stock, Div., Yld., PE, St. 100 High, Low, Close, Open, Chg.

12 Month High Low Stock Div. Yld. PE St. 100 High Low Close Open Chg.

Table of international stock prices.

(Continued)

Continuation of international stock price table.

(Continued)

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12 Month High Low Stock Div. Yld. PE St. 100 High Low Close Open Chg.

Table of international stock prices.

(Continued)

Continuation of international stock price table.

(Continued)

Continuation of international stock price table.

U.S. Futures Via The Associated Press

June 6

Season High Low Open High Low Close Chg.

Table of U.S. Futures prices including sections for Grains, Food, Metals, and Livestock.

(Continued)

Continuation of U.S. Futures price table.

(Continued)

Continuation of U.S. Futures price table.

Table of international stock prices.

12 Month High Low Stock Div. Yld. PE St. 100 High Low Close Open Chg.

Table of international stock prices.

(Continued)

Continuation of international stock price table.

(Continued)

Continuation of international stock price table.

Table of international stock prices.

12 Month High Low Stock Div. Yld. PE St. 100 High Low Close Open Chg.

Table of international stock prices.

(Continued)

Continuation of international stock price table.

(Continued)

Continuation of international stock price table.

West Germany Reports Drop in Unemployment

Reuter

NUREMBERG — West German unemployment fell in May to 8.4 percent of the work force from 8.9 percent in April, the Federal Labor Office said Monday.

The 8.4 percent represents 2.15 million unemployed, without adjustment for seasonal factors. Last year in May, 8.3 percent were unemployed.

Without adjustment for seasonal factors, the number of unemployed was 2.26 million in April. In May 1987, it was 2.10 million.

The head of the labor office, Heinrich Franke, said the drop was due to seasonal factors and there was no change in the situation on the job market.

As usual for the spring and summer, employment in the spring and summer tend to improve because of seasonal factors.

In April, the IFO Economic Research Institute of Munich said industry in West Germany expected continued moderate growth until 1992, but also a rise in unemployment. A poll conducted among 360 large West German companies showed they expect neither stagnation nor sharp upward trends, the institute said.

LVMH Plans Purchase Of Givency Couture

Reuter

PARIS — LVMH Moët Hennessy-Louis Vuitton, the French luxury goods company that makes Moët champagne and Hennessy cognac, said on Monday that it would buy the high-fashion house, Givency Couture.

The company, which already owns the Givency perfume business, did not say how much it would pay for the fashion house, which last year had revenues of about 150 million French francs (\$26 million). LVMH had 1987 revenues of 13.24 billion francs.

Givency Couture is the showcase of the designer Hubert de Givency, whose costly dresses are famed for attracting a particularly elite clientele.

LVMH, the sixth largest company traded on the Paris Bourse with a market capitalization of about 26 billion francs, reported its profits rose 26 percent last year to 1.34 billion francs. It expects a 20 percent rise in profits this year.

Surplus in Saudi Trade Reported at \$2.4 Billion

The Associated Press

RIYADH — Saudi Arabia posted a \$2.4 billion trade surplus last year, the Finance Ministry has reported.

The trade surplus for 1986 was \$360,000. According to portions of the official report circulated by the Saudi Press Agency on Sunday, the increase followed a major Saudi effort to diversify into such areas as agriculture and away from dependence on oil revenues.

The news agency did not provide any breakdown of export figures and gave only a partial list of import statistics.

The Finance Ministry report showed 81.2 percent of Saudi Arabia's imports last year came from 15 countries, headed by Japan, the United States, Britain, West Germany and Italy.

The kingdom's major import categories all rose last year. The agency report cited only foodstuffs and livestock, an increase of 7.2 percent; beverages and tobacco, 12 percent; raw materials, 21.6 percent; vegetable oils and fats, 10.4 percent; machinery and transport equipment, 2.1 percent; and furniture, clothing and shoes, 3.7 percent.

Stockbroking Income Off 27% Since October

Reuter

NEW YORK — A sampling of retail securities brokers in North America shows that their average income from stockbroking has fallen about 27 percent since the October market plunge, the Securities Industry Association said.

The post-crash period covered November through April, the association said. Average individual earnings in that period declined to an annual rate of \$66,197, from \$91,054 for the same period a year earlier.

Average institutional broker income declined to an annual rate of \$191,071 in the November-April period, down almost 18 percent from \$231,548 for the same period a year earlier.

The association said individuals' income from retail broking for all of 1987, based on a sampling of 49 firms, dropped to \$99,159, down about 3 percent from the record \$97,100 for 1986.

In the institutional brokerage business, individual income actually increased 3 percent for all of 1987, to \$233,637, from \$227,412 in 1986, the association said.

Paris Commodities

June 6

High Low Bid Ask C's

Table of Paris Commodities prices including sections for SUGAR, COFFEE, and CACAO.

London Metals

June 6

Close Ask Previous Bid Ask C's

Table of London Metals prices including sections for ALUMINUM, COPPER, and ZINC.

Dividends

June 6

Company Per Ann Div Pct

Table of Dividends including sections for US TREASURIES and SPOT COMMODITIES.

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KAWAITS In Conco

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BUSINESS ROUNDUP

Tate Sells Portion of Staley to Sysco

CHICAGO — Tate & Lyle PLC announced Monday that its Staley Continental Inc. subsidiary had signed a definitive agreement to sell its food-service distribution and manufacturing business to Sysco Corp. for \$700 million in cash.

Tate & Lyle, a large British sugar refiner, had announced its intention to sell Staley's food-service operation when it made its tender offer for Staley on April 8. The \$1.5 billion merger is expected to be completed by Tuesday.

Sysco, based in Houston, is a leading U.S. food distributor. The sale to Sysco of the food-services division, CFS Continental, is subject to customary closing conditions, Tate & Lyle's announcement said. The amount payable on closing, expected in the middle of the summer, would be adjusted to reflect changes in working capital and fixed assets since April 30, a spokesman said.

An Old Puzzle: Getting The Best Out of Bell

Analysts See Little Hope for Bond To Win Group's Corporate Jewels



Alan Bond has bid for the heavily indebted Bell Group, fending off potential charges by the securities commission.

MELBOURNE — Alan Bond faces the same problem that confronted Robert Holmes a Court before he bailed out of Bell Group Ltd.: how to get at the assets of the cash-rich Bell Resources Ltd.

Bond Corp. Holdings has announced an offer valuing Bell Group at \$70 million Australian dollars (\$700 million), fending off an "unacceptable" offer from a securities commission inquiry.

Mr. Bond denied being forced to make the bid. "We were not forced by the NCS to make a bid for Bell," he said.

12 of 15 Employees Resign At Oil Industry Newsletter

NEW YORK — At least a dozen of the 15 employees of Petroleum Intelligence Weekly, a highly regarded trade publication, resigned last week in a dispute over the publisher's attempts to sell the newsletter. It covers the global oil market and is circulated in 66 countries.

The dispute intensified last Tuesday when Ms. Jablonski brought a prospective buyer — whom she and others would not identify — to meet the staff in New York. After the meeting, several staff members walked out.

All the employees in the London and Paris offices and all but one at the New York headquarters have left, including editorial, circulation and clerical workers.

This week's issue was printed and should be distributed on time, Wanda Jablonski, the owner and publisher, said on Sunday. A companion monthly publication, Petroleum Market Intelligence, was also printed on schedule, she said.

A senior editor who left said the staff had been unhappy for months about job benefits and pensions. But the tension peaked, he said, with Ms. Jablonski's recent efforts to sell the publication.

Staff members generally supported her desire to sell the newsletter, he said, but many thought they were not adequately represented in the process of finding a buyer.

Kyocera Posts 30% Rise in Net

KYOTO, Japan — Kyocera Corp. reported Monday that net profit for its latest financial year rose 29.8 percent from a year earlier, to 22.68 billion yen (\$180 million) from 17.47 billion yen.

Kuwait Seeking 10% Stake In Consolidated-Bathurst

TORONTO — Kuwait has offered to pay \$199.5 million, or \$19 a share, for 10.5 million common shares of Consolidated-Bathurst Inc., the manager for the offer, Gordon Capital Corp., said Monday.

The agreement would have a duration of five years, plus annual extensions, and would give Kuwait the right to have two nominees elected as directors of Consolidated-Bathurst.

It also would prevent Kuwait from disposing of any shares it owned during the first five years, except on the same terms and conditions as Power shares. And, it would give Power, after five years, a right of first refusal on the common shares owned by Kuwait.

Mr. Kornman has estimated Bell Group's net debt, including preference shares, at 2.1 billion dollars and its net worth at only 696 million dollars. That compares with the 723 million dollars Mr. Bond will have paid for just a little over 80 percent of the company. The State Government Insurance Commission will retain its stake.

Sources close to Turnbridge, a joint venture between Mr. Brierley's Industrial Equity Ltd. and Mr. Packer's Consolidated Press Holdings Ltd., suggested that Bond's bid for Bell Group may yet be stalled if it cannot convince authorities it can fund it.

SYDNEY — CSR Ltd., an Australian conglomerate, said Monday that it would sell its mining interests in Australia and Indonesia to Royal Dutch/Shell Group affiliate, Biliton Indonesia BV, for 127 million Australian dollars (\$102 million). CSR, which has withdrawn from mineral activities except for some bauxite and alumina operations, said it planned to concentrate on building products and sugar.

Table with 2 columns: Selected U.S./O.T.C. Quotations, and 2 columns of stock prices.

PARTS: A Whole New Conflict

(Continued from first finance page) do business in the United States, they are stoking the fires of protectionism and raising questions about the practice of using billions of dollars in tax money to lure foreign manufacturers to locations where, sometimes, U.S. businesses have had to go begging for government aid.

Ford owns 25 percent of Mazda, which in Japan does about \$300 million a year in business with Nippondenso. Nippondenso supplies Ford with heaters, blowers and electric radiator fans. Ford and Nippondenso's U.S. operations, which are based in Battle Creek, Michigan, supply parts to Mazda's new assembly plant in Flat Rock.

The plant builds the sporty MX-6 four-seater sold in the United States by Mazda, and the mechanically and structurally identical front-wheel-drive Ford Probe that Ford sells in this country.

The eagerness of states to attract new companies, foreign and domestic, is evident in a 687-page publication called "Directory of Incentives for Business Investment and Development in the United States," which gives a state-by-state breakdown of an estimated \$300 billion in incentives and tax breaks available for companies willing to jump borders.

Mazda, for example, received \$120 million in government incentives to build a \$550 million assembly plant in Flat Rock, Michigan, that began production in September 1987. Japanese auto-parts companies, like their automaker brethren, are making expert use of the book: Parts plants being built in Michigan and surrounding states to service Mazda are receiving a bundle of incentives, although exact amounts are hard to determine.

For both cars, most of the high-value parts and component assemblies — engine, transaxle, suspension, brakes — are supplied by Mazda or a Japanese-affiliated parts maker. Many of the bulky, low-tech components, such as carpets, plastic assemblies, glass and tires, come from U.S.-based parts makers.

no comparable funding is available to help them do business in Japan, or to help them compete against the newcomers in the United States.

"American parts companies are seeing red as their tax dollars are used to lure and subsidize their foreign competitors and give them minimal cost advantages," said Linda J. Hoffman, a vice president for the Automotive Parts and Accessories Association.

"We realize that we have to buy more parts here," he said. "But it makes no sense. It is not good business, to first buy the more difficult parts from the domestic companies that are unfamiliar with the way Mazda does business."

The General Accounting Office, the investigative arm of Congress, studied those changes and reported in March that domestic parts makers "have some valid concerns" about governmental assistance to foreign competitors. The GAO concluded that U.S. companies got "the greatest percentage" of incentives, although Japanese companies were getting an increasing share.

According to William F. Busker, president of Invision Products Division of Goetze Corp. of America, which makes precision engine parts, Japanese-affiliated automakers in the United States tend to buy key components, such as engine and drive-train kits, only from Japanese suppliers. That, he said, means that U.S. companies often are excluded from critical research-and-development programs involved in the design and engineering of new Japanese cars.

Ironically, the domestic auto-parts suppliers' improvements are coming at about the time they are moving into direct competition with companies that have been doing it the "Mazda way" all along.

Japan's lock on original-equipment markets virtually eliminates U.S. parts makers.

Japan's lock on its original-equipment markets virtually eliminates U.S. parts manufacturers from participating in the global aftermarket where Japanese cars dominate," Mr. Busker said.

The United Auto Workers union says that the transplanted Japanese parts suppliers and automakers would wipe out 100,000 U.S. jobs by 1990. The GAO, using a different set of assumptions, says that 45,000 jobs could be lost.

ty Up 3.6% Figures Show

The department and the "active" sector rose 3.6 percent in the first quarter, the highest since the adjusted 2.8 percent rise in 1987. Productivity is also increasing by 1.6 percent.

In addition, the Big Three U.S. automakers — General Motors Corp., Ford Motor Co. and Chrysler Corp. — all have ties to Japanese and European parts suppliers and are exploring the possibility of establishing others. Like the Japanese automakers, they, too, want the highest quality components at the lowest possible cost. Some of those ties are long-term and intertwined, such as Ford's nearly 20-year link with Nippondenso of Japan.

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BUSINESS SCHOOL LAUSANNE Bachelor of Science (Business) now available in the evenings. Tuesday, Wednesday, Thursday, 6 to 9:30 p.m.

CURRENCY MARKETS

Dollar Falls on Remarks by Pöhl

NEW YORK — The dollar weakened on Monday, depressed by the West German central bank president's statement that a lower value for the Deutsche mark is undesirable.

The pound, meanwhile, showed only a mild reaction to an increase in British interest rates. Dealers attributed the dollar's weakness to a statement on Sunday by Karl Otto Pöhl, president of the Bundesbank, who said the West German central bank "has no interest in the mark depreciating."

His comments came after the mark began to recover late last week, following an earlier decline. Another factor accounting for the U.S. currency's weakness was confirmation by the West German central bank that it had sold dollars late last month.

The dollar fell to 1.7135 Deutsche marks from 1.7270 on Friday. It also weakened against the Swiss franc, falling to 1.4275 from 1.4395; against the French franc, dropping to 5.7925 from 5.8365; and against the yen, declining to 125.75 from 125.975.

The pound rose to \$1.8010 from \$1.7960 on Friday. But it fell to about 3.0860 DM from 3.1017.

The British currency did not show much reaction to the increase in British commercial banks' base lending rates to 8.5 percent from 8 percent. That rise was spurred by an identical raising of the Bank of England's money market rate, and followed similar increases in both rates to 8 percent from 7.5 percent on Thursday.

Market participants said the latest interest-rate move had been expected. "The increase had been largely anticipated and the market had soon discounted it," a Japanese bank dealer said.

Last month, Nigel Lawson, the British chancellor of the Exchequer, said that interest rates should

London Dollar Rates

Table with columns: Closing, Mo., Ft., Deutsche mark, Swiss franc, Japanese yen, Sfrs/sterling, French franc, Source: Reuters

be used to steady the pound. London currency exchange analysts said they expected British rates to rise by possibly 2 percent more over the next six months.

But in New York, Thomas Beater, a foreign exchange analyst at Bank of Montreal, said the attempt to prop up the pound failed, and he noted the British currency actually weakened against other currencies, such as the mark.

Dealers were wary of bidding actively for the pound, following its unexpected fall. When it was rising, "too many people got carried away, and they don't want to get burned again," said John Baker of Juhnke Beer & Co.

Dealers said the mark rose as

Pöhl Opposed To Lower Mark

FRANKFURT — Karl Otto Pöhl, president of the Bundesbank, said the West German central bank does not want the value of the Deutsche mark to decline.

In a radio interview Sunday, Mr. Pöhl said, "We have no interest in the mark depreciating." The mark fell early last week but has partly recovered.

He also said West Germany's economy did not need stimulation. He said fears of a slowdown because of the weak dollar and October's stock market collapse had come to nothing.

Australian Dollar Plunges In Surge of Profit-Taking

SYDNEY — The Australian dollar plunged nearly 2 U.S. cents on Monday amid chaotic trading in a correction that analysts said should be of a short duration.

It had been trading at a 40-month high of 81 U.S. cents after rising by around 20 percent against the U.S. dollar and 15 percent against most other major currencies in the past six months. It closed in Sydney at 79.15 U.S. cents, recovering somewhat from a low of 78.7, but down sharply from Friday's close of 80.78.

Until Monday's heavy selling, high commodity prices and domestic interest rates, along with a solid outlook for the economy, had pushed the Australian currency to its highest point in more than three years.

Kim Hawtrey, chief economist of the State Bank of New South Wales, said recent softening of high-yield Australian dollar Eurobonds and the strengthening of the U.S. bond market contributed to the sudden decline. He expects the Australian dollar to return to 81 U.S. cents after the release of trade data.

Doris Delins, senior economist at County NatWest Australia, said the selling was no more than speculators taking profits. "Something like this tends to bring all the bears out of the closet, but one must look at the situation in perspective. No fundamentals, except people's sentiment, have changed."

Dealers said heavy selling abroad, mainly by U.S. investment houses, pushed the Australian dollar through critical psychological levels. Analysts said the selling was related to a change of sentiment away from high-yield currencies such as the British pound and the Australian dollar and back to the U.S. dollar.

POLICY: Baker, Camdessus Differ on Coordination

(Continued from first finance page) perception of how economies interact.

While acknowledging that significant progress has been achieved in reducing the U.S. current-account deficit, a wide measure of trade in goods and services, without setting off a world recession, Mr. Camdessus said that the "ad hoc procedures" need to evolve into more "formalized arrangements" by which the process of policy coordination can be institutionalized.

A clear concern, he said, is that the international imbalances, although sharply reduced, remain threatening.

At a press conference later, Mr. Camdessus returned to the "remarkable" cut of \$70 billion in the U.S. budget deficit last year and record \$161 billion deficit in the current account.

"These imbalances are likely to remain excessive over the medium term," Mr. Camdessus warned, "posing a threat to steady growth."

He said that governments need to "increase the mutual compatibility" of their policies and "to develop arrangements in which the international implications of domestic policies are more systematically recognized and taken into account."

He added that guarding against conflicting policies "can forestall disruptive consequences and a general loss of welfare."

But he warned, "It is far from clear that sweeping, revolutionary changes are desirable or practical."

For his part, Mr. Baker said, "We certainly do not have a perfect monetary system, nor total coordination of our policies."

Mr. Baker called for a further strengthening and reform of the system.

But he warned, "It is far from clear that sweeping, revolutionary changes are desirable or practical."

Monday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 100 most traded securities in terms of dollar volume. It is updated twice a year. Via The Associated Press

Table A: 12 Month High/Low Stock, Div. Yld., High, Low, 4 P.M. CLOS. Includes companies like AAW Bd, ADC, AIG, etc.

Table B: 12 Month High/Low Stock, Div. Yld., High, Low, 4 P.M. CLOS. Includes companies like BAC, BAX, BCI, etc.

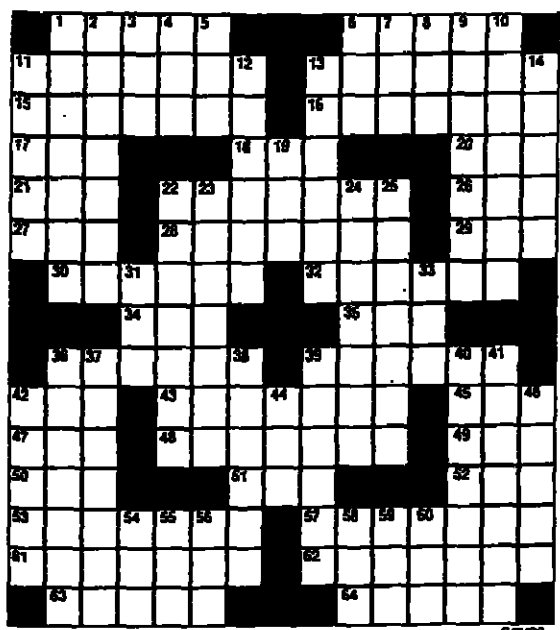
Table C: 12 Month High/Low Stock, Div. Yld., High, Low, 4 P.M. CLOS. Includes companies like C, CA, CAB, etc.

Table D: 12 Month High/Low Stock, Div. Yld., High, Low, 4 P.M. CLOS. Includes companies like D, DA, DAB, etc.

Table E: 12 Month High/Low Stock, Div. Yld., High, Low, 4 P.M. CLOS. Includes companies like E, EA, EAB, etc.

Table F: 12 Month High/Low Stock, Div. Yld., High, Low, 4 P.M. CLOS. Includes companies like F, FA, FAB, etc.

Source: Reuters. Yields shown are based on the previous 12 months plus the current week, but not the trading day. Where a split or stock dividend occurred in the current or prior year, the year's high-low range and dividend are shown for the new stock unit. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.



ACROSS

1 Spinning material
6 Speedily
11 Sea cow
13 Rock-climbing mollusk
15 Garlands for the head
16 U.S. W.W. II title
17 Rather
18 Foli or pan precursor
20 G.I. resting place
21 Member of a Panay people
22 One-seeded fruit
26 Sooner than
27 Cambridge inst.
28 British show place
29 Neighbor of Leb.
30 Soho
32 Capitol body
34 Fold matron
35 Fixed-term bank acct.
37 Gemology measure
39 Purloins
42 Touching game

DOWN

13 Insurance-seller
14 Homophone for 12 Down
19 New Yorker cartoonist
22 Crosswise
23 Leopard's kin
24 Put up
25 Mailers
31 — capita
33 Mag — hatler
36 Romps about
37 Shake up
38 Synptom of overwork
39 Did a roofing job
40 Traveler's need
41 Declaimed
42 Puccini work: 1900
44 Souching, for one
46 Too full
54 Crosscut
55 Get a move on
56 Split or tight Jet
58 Spoil
59 " — Camera"
60 Emulate Xanthippe

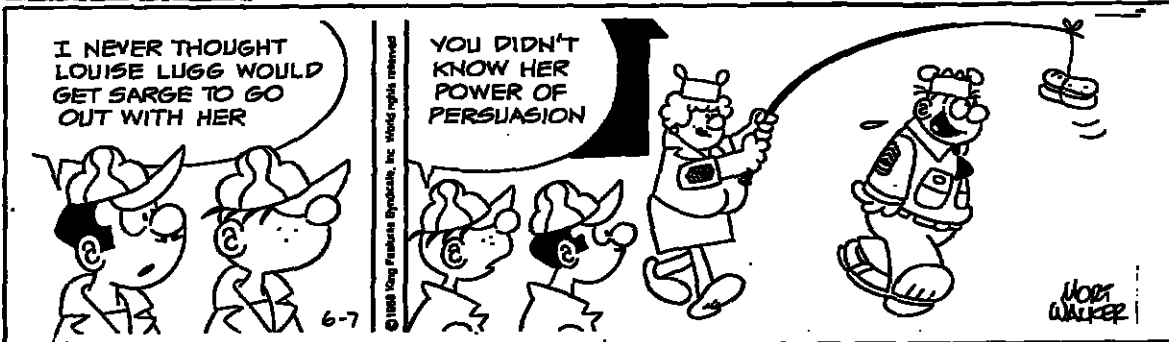
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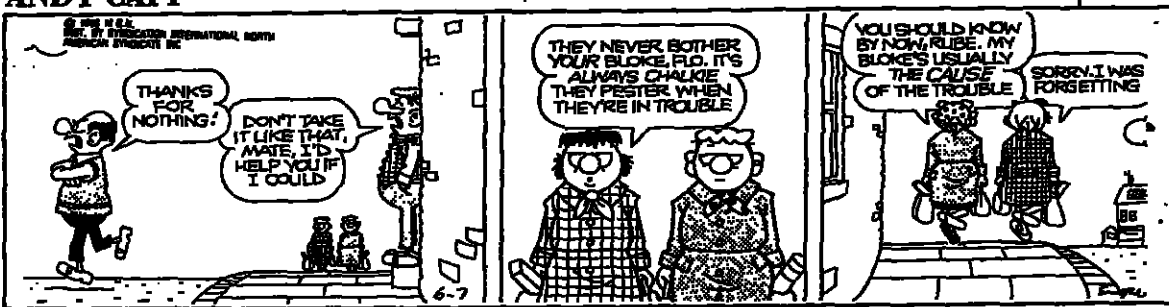
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BEETLE BAILEY



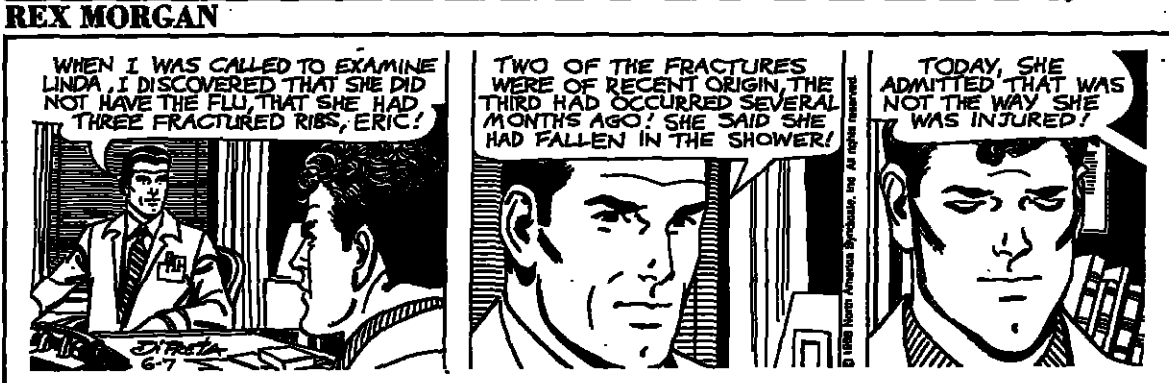
ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



IT'S OKAY, MOM. IT WAS JUST THAT OLD VASE THAT BELONGED TO YOUR GRANDMOTHER.

WEATHER

Table with weather forecasts for Europe, Asia, Latin America, North America, Middle East, Oceania, and Tuesday's forecast for various cities.

World Stock Markets

Table showing world stock market prices for various countries including Amsterdam, London, Zurich, Tokyo, Sao Paulo, Madrid, Milan, Brussels, Helsinki, Hong Kong, Frankfurt, and Paris.

Table showing Canadian stock market prices for various companies and indices.

Table showing Japanese stock market prices for various companies and indices.

Table showing European stock market prices for various companies and indices.

BOOKS

SEAN O'CASEY: A Life. By Garry O'Connor. 448 pages. \$25. Atheneum, 115 Fifth Ave., New York, N.Y. 10003.

Reviewed by Anthony Bradley. The Dublin plays of Sean O'Casey, products of the Irish troubles of the first two decades of this century, continue to have an immediate and wrenching relevance.

destructive politics inspired by male hatred and vanity. Garry O'Connor's book is the first attempt at a full-length biography of O'Casey. Writing a biography of an Irish writer is singularly daunting, given not only the self-dramatizing traits of at least some Irish writers — O'Casey was certainly one of them — but also the apparent propensity of the Irish to invent stories about their writers.

CHESS

By Robert Byrne. Braga in Brazil last year. The game went 15... N-K4; 16 P-R6, N-N3; 17 Q-B3, N-K4; 18 PxP1 with superiority for White.

Chess board diagram showing a game position after 16... B-N5. Includes text about the game and a small table of chess-related data.

Goldstar advertisement for West Germany, featuring Goldstar TVs and VCRs. Includes the Goldstar logo and contact information.

Big Crossword advertisement for the Sunday crossword puzzle. Includes the text 'BIG CROSSWORD IN THE HLT EVERY SATURDAY' and 'THE FAMED NEW YORK TIMES SUNDAY CROSSWORD — ENOUGH TO KEEP YOU BUSY ALL WEEK'.

SPORTS

NBA Finals Without Celtics: Some Sense a Link Is Missing

By Anthony Cotton

Washington Post Service

INGLEWOOD, California —

If it's June and Southern California,

it must be the National Basketball

Association finals. That means the

Forum and the Los Angeles Lakers,

Pat Riley strutting on the sideline

and Magic Johnson choreographing

the fast break.

Everything is status quo for

Tuesday night, when the best-of-

seven league championship series

begins here — everything, that is,

except for the conspicuous absence

of certain green-clad opponents

led by a pale floor general with a

wispy mustache and a deadly jump

shot.

For some, the drama of the Lakers'

attempt to become the first team

in 19 years to repeat as pro

basketball's champion (a feat

guaranteed by Riley after last

season's finals) isn't enough,

especially if the opposition in that

quest is the Detroit Pistons and

not the Boston Celtics.

"I've heard that, and you know

what I have to say about it,"

offered Dick Versace, Detroit's

assistant coach. "Isn't that just

too bad? I think it's healthy for

the league. I know you want to see

Larry Bird, and Boston has a

national following, but I think we've

captured the nation's imagination

— for a number of reasons. One

of them is that we're playing

damn good basketball.

If that weren't so, Boston

would be here.

Some people think that maybe

the Celtics will show up anyway,

so ingrained in their minds is the

picture of a Laker-Celtic final.

The 1986 championship series

featured Boston against Houston,

but no one seems to remember.

What lingers are the memories

of 1984, when the Celtics won a

seventh game in a stifling hot

Boeving Garden, and the following

year, when the Lakers clinched

the title with a breakthrough

victory on the parquet floor.

Last season, an injured and

exhausted Celtic team wasn't

supposed to be able to compete

with Los Angeles, yet managed to

take the series to six games. Listening

to fans, press and television

executives, you get the impression

that if the Lakers win this time

there'll be an asterisk in the record

books.

Defended championship but title

not won against Boston.

In reality, Detroit probably will

offer the Lakers a competitive

series. It's doubtful that the Celtics

who were experiencing diminishing

returns in production with

each playoff round, would have

had anything left had they

managed to squeeze by the Pistons.

Still, ...

"There's a small feeling inside,

the sense that something isn't

the same," said Laker forward A.C.

Green after his team earned its

place in the finals with a 117-102

victory over Dallas on Saturday

in Game 7 of the Western

Conference title series. "I know that

you can't beat Boston with a

bunch of wimps."

Riley said that "romantically,"

it would make a difference playing

Boston. "Since 1980, all but one

championship — Philadelphia's

in 1983 — has been won by Los

Angeles or Boston.

"It's sort of 50-50 for me," said

Jerry Buss, the Laker owner. "Bill

Davidson [his Piston counterpart]

has been in the league a long time,

so I'm overjoyed for him getting

to the finals. ... Besides, I really

know that the Celtics will be

back next year. And so will we."

That may come as some

surprise to the Pistons, who are

beginning to fancy themselves as

the team of the late 1980s. For those

grand designs to be realized, obviously

the Lakers have to be

reconstructed.

"Right now, our biggest

problem is mind-set," said Versace.

"Against Boston we got

locked into such a specific

mind-set, but you can't

play the Lakers the same way."

"One of my measures for how

good a team is is how many

players on our squad do you

have to double-team. Boston

had three — Bird, Robert

Parish and Kevin McHale —

and the Lakers have three —

Johnson, Kareem Abdul-

Jabbar and James Worthy. But

Boston didn't have the fast

break like Los Angeles. The

Lakers have the fastest

commitment to running

the basketball in the world."

Detroit, simply the most

committed team in the NBA's

Central Division, is also

capable of moving the ball,

which leaves the team with a

second quarry: trying to

run with the Lakers in an

open-court game. The sight

might make eyes around the

country open with delight, but

might not be beneficial to the

Pistons over the long haul.

"What we have to do is

pick our spots," said Versace.

"The ideal equation is to run

yourself but make the other

guys play five-on-five. ...

Isiah [Thomas, the all-

star Piston guard] has to

run, but we can't let them do it

whenever they want. When

they do that, they get on an

almost ethereal plane."



Mask jarred loose by the collision, Terry Steinbach held onto the ball to nail Kirby Puckett at the plate in Sunday's sixth inning; moments earlier, Puckett had singled home the deciding run for the Twins.

Lombardozzi Sparks Twins Past Athletics

Compiled by Our Staff From Dispatches

MINNEAPOLIS — Steve

Lombardozzi, the forgotten man in

the Minnesota clubhouse, got a

rare chance to start Sunday and

did his best to keep the Twins from

being totally forgotten in the

American League West race.

Lombardozzi's two-run home

run, three hits by Kent Hrbek

and solid relief pitching by Keith

Atherton and Jeff Reardon carried

Minnesota to a 4-3 victory that

snapped Oakland's three-game

winning streak and brought the

second-place Twins to within 10

games of the Western Division-

leading Athletics. Oakland lost

in its last 11 games.

Lombardozzi, who along with

Al Newman has seen limited

duty since the acquisition of Tom

Herr in late April, quickly made

the most of his chance. His first-

inning homer followed a leadoff

double by John Moses. "Newmy,

Moses and I were discussing it

before the game," said Lombardozzi

of the unusual lineup that

included all three as starters. "Moses

said, 'We're gonna lose today. We

were pretty confident, and then

he goes and smacks a double

right off. It was great."

Atherton scattered two hits

over three innings for the victory

and Reardon went 1 1/2 innings

for his 14th save of the year.

Oakland's Bob Welch allowed

four runs on 11 hits over 5 1/2

innings in his first loss

in seven straight victories.

Minnesota broke a 3-3 tie

with a run in the sixth. Moses

singled and scored before

Reardon pitched home on a

single by Kirby Puckett. Puckett

was thrown out trying to score

on a single by Gary Gaetti; a

collision at the plate put Puckett

and Oakland catcher Terry

Steinbach out of the game with

minor injuries.

"It was a hell of a game, wasn't

it?," said Manager Tom Kelly, who

had juggled his lineup before

game time. "We played two

games against these guys and

didn't manage to beat them. So

I figured why not turn things

around?"

White Sox 3, Rangers 4: In

Chicago, Greg Walker's run-

scoring double capped a three-

run first and Jerry Reuss

allowed four hits through six

innings as the White Sox

downed Texas. Reuss (4-2)

walked one and struck out

three for his 20th career

victory.

Angels 6, Brewers 5: In

Milwaukee, Johnny Ray

squeezed home Darrell

Miller in the 11th as

California snuffed a six-

game losing streak. Miller

reached base on a two-

base throwing error by

losing reliever Chuck

Crim and took third on

Dick Schofield's sacrifice.

Ray bunted a 1-1 pitch down

the first base line and

Miller scored without a

play.

Dodgers 5, Reds 4: In the

National League in Los

Angeles, Kirk Gibson

doubled home one run

and scored another and the

Dodgers took advantage of

three Barry Larkin

errors to win Cincinnati.

Shortstop Larkin committed

two throwing errors in the

fourth, helping Los

Angeles break a 1-1 tie

with two unearned runs.

Larkin led the game

after six innings because

of a bruised finger.

Brewers 3, Padres 1: In

San Diego, Ken

Chalkley doubled home

one run and Gerald

Perry drove in another

in the eighth, lifting

Atlanta.

Giants 9, Astros 3: In

San Francisco, Matt

Williams drove in three

runs and Candy

Maldonado had two

hits and three RBIs to

help the Giants breeze

past Houston. Rick

Reuschler, who combined

with Craig Lefferts on a

seven-inning, allowed

one run over six

innings.

BASEBALL ROUNDUP

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